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The **Management** **REVIEW**



DECEMBER, 1946

[This Issue Includes Index to Volume XXXV]

COMMENT • DIGEST • REVIEW

BACK TO WORK!

A Buyers' Market—

Are You Ready for It?

AMA WINTER MARKETING CONFERENCE

HOTEL COMMODORE, NEW YORK • JAN. 9-10, 1947

Right now we are in the transition from a sellers' to a buyers' market. Sales managers and salesmen are going back to work—back to the bread-and-butter work of marketing: making sales, as many as possible.

We should have been planning for this moment for years (and most of us have)—yet today there is more uncertainty, more confusion, about marketing problems than even before the war ended.

This is not conjecture. It is what hundreds of sales executives in all kinds of businesses told AMA when we asked them their problems and the kind of a conference that would help them most.

This conference will tell you what conditions are now, what can be done now, what is being done now to build and temper sales organizations to meet the problems of tomorrow as well as today.

Some of the Highlights:

MARKETING CONDITIONS—TODAY
AND TOMORROW

PRICING AND COST CONSIDERATIONS

MEASURING MARKET POTENTIALS

NEW PATTERNS IN DISTRIBUTION

PERFORMANCE CHECKS ON SALES
MANAGEMENT

SALES COMPENSATION IN A PERIOD
OF FLUX

THE INDUSTRIAL MARKETER'S
SPECIAL PROBLEM

CONSUMER ATTITUDES

ADVERTISING AND PROMOTION
TODAY

AMERICAN MANAGEMENT ASSOCIATION

330 WEST 42nd STREET, NEW YORK 18, N. Y.

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The Management REVIEW

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REFRESHING candor is brought to a discussion of labor relations by Robert R. Young in this month's feature abstract (**Enemies of Production**) from *The Atlantic Monthly*. Mr. Young has viewed the picture from many vantage points, having started as a "powder monkey" at 28½ cents an hour and risen through the ranks to the chairmanship of the Chesapeake and Ohio Railroad. Today, however, he sees less difference between a board chairman and a foreman than he does between a track worker and a piccolo player—"it is only a hop, skip, and jump from organizing foremen to approaching vice-presidents," he says.

Management is taken to task by Mr. Young for not having better policed itself and prevented passage of numerous restrictive Acts with which it is now hamstrung. Labor is due for a like fate unless it too behaves better, he predicts. But the real threat to us all today, according to the author, is the State, which is waiting to gobble up both management and labor as the wolf did Little Red Riding Hood. Mr. Young points out how labor as well as capital has suffered under the impact of Statism in England and France following this war, and he is convinced that only by the exercise of a virile public opinion and a revival of integrity can the inroads of the State be stopped.

MANUFACTURERS, service industries, and retailers are beginning to realize how much changes in weather affect their business and their profits; they are discovering that frequently they can do more business at less cost by anticipating changes in demand resulting from weather variations. In **How the Weather Bureau Serves Business** (pages 501-502), Sarah C. Saunders shows how different types of businesses save time and money by coordinating their operations with short-term weather forecasts, which—you may be surprised to learn—are about 90 per cent accurate.

James O. Rice, *Editor*; M. J. Doohar, *Managing Editor*; Alice Smith, *Associate Editor*; Vivienne Marquis and Evelyn Stenson, *Assistant Editors*.

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THE MANAGEMENT INDEX

General Management

Enemies of Production

MANAGEMENT has proved, given time, stability, and the cooperation of Labor, that it can go on increasing wages and shortening hours without raising prices. Incentive enterprise has seen to that. Freight rates are lower today than they were 13 years ago when the track laborer was paid \$3.60 for nine hours' work; today he is paid \$6.84 for eight hours. The contrasting burden of taxation, then and now, is equally striking.

In the light of this achievement, how much wiser Capital would have been to have accepted unionization and thus have averted the Wagner Act! Capital might also have been wiser to create its own social security act, its own railway retirement act, its own housing authority. It is paying the bill—why not have earned the gratitude?

Mr. Green, of Labor, has recently called the roll of Congressional failures, including medical care, long-range housing, and employment insurance. Capital might profitably confer sympathetically with Labor on ways of accomplishing these objectives directly so that self-reliance is maintained, local conditions are observed, and individual preferences are considered.

Although Labor has a shorter history of excesses than Capital, it too should re-examine itself. Work rules that reduce initiative or productivity, or in-

crease costs, come out of Labor as certainly as taxes. They deprive man of the supreme wage, pride of craftsmanship. No worker can remain truly contented who is not constructively busy.

Reams of work rules in this country are as destructive of happiness as this Scottish one that comes to mind: "The number of bricks laid per day must not exceed 350 in Edinburgh or 830 in Aberdeen." In the face of such monstrosities, squatting veterans over there are no more surprising than market panics here.

Quarrels between labor leaders which break out in jurisdictional strikes should not be recognized as strikes but for what they are, intolerable breaches of the public peace. Restrainers of trade and levelers of individual opportunity and reward should no more be tolerated in Labor than they are in Capital. The freedom of the individual to work and to rise as well as to strike must be respected. Capital has been weak and lax in submitting to these crimes against production when public opinion could have been rallied so easily in its support. A minimum wage, without even a minimum of effort, is communization in its most destructive form.

There is evidence already that Labor is seeing some of these things, for the

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Brotherhood of Paper Makers, one of the worst offenders in seniority abuses, now courageously acknowledges: "Some men who came into the industry just do not fit and cannot go beyond a certain point." Labor must also clean house at the top. There can be no true representation of labor by political adventurers or racketeers.

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In scurrying to the State with their grievances, Labor and Capital are as naive as Little Red Riding Hood. The wolf is waiting to gobble them both up. Out of a scramble for legislation or political favor one may gain temporarily at the expense of the other, but in the end the board or the court will make the kind of finding that suits the State. Well-selected appointees are ambitious, and higher appointments stem from chores well attended to. The vote-seeker who yields quickest to Labor is the officeholder most likely to harm it.

Now, when Labor fears legislation, is the time for an alliance with Capital. The era of antagonisms should be past. Karl Marx would be one of the first to recognize it. For every dime that Capital or Labor stands to gain at the expense of the other, it stands to lose dollars by the ever-expanding area of errors by the State. The buyer-seller relationship between Capital and Labor should be as sympathetic as that between doctor and patient.

As popular government advances (and virtually every government in the world today so describes itself), it encroaches upon the freedom of Paul in order to curry the favor of Peter. Eventually all become Pauls. Destroyers of freedom feel insecure. Naturally, they persuade themselves that their continuance in office is for the good of the people. Naturally, they turn for security to the powers traditionally yielded by the people to the State *only*

in time of emergency. By this time their seizure of power has brought them close to the temptation of war or the threat of war. This is the lesson of history.

The attempt of the people to create popular States in Germany and Russia following the First World War, and the subsequent fate of Labor, is history well known in America. Few yet appreciate the extent of the deterioration in France and England following this war.

That Labor in Great Britain, as well as the middle class, is suffering under the impact of nationalization is attested by the employment in the coal pits of youths down to 14 years of age, at high accident cost, in a futile attempt to check the decline in output. Not only has a psychological deterrent to productivity been created by the substitution of the State for the private employer, but the continuance of taxation that reaches confiscatory levels as the worker's pay check increases has encouraged absenteeism.

Lords and laborers alike are growing shabbier. Theirs will be a new low in cheerless winters, without heat, milk, cream, butter, sugar, coffee, eggs, meat, fruit, or vegetables. Laying hens are killed for lack of *even garbage*. Adulteration descends to *bread*. The black market languishes *because there is nothing to sell*. I saw more automobiles in Halifax, Nova Scotia, than in all of France and England.

The threat to us all today is the State. Marx knew that the chief victim of war was Labor. That was why he placed the blame for war on Capital—as Russia does today. But Russia knows that Marx is hopelessly out of date, for the State consumes in a year of war the profit of a generation—that is *why peace with Russia should be regarded as inevitable*. For both of us

to expect war is virtually to ensure it.

The excesses of the State can be stopped, just as the excesses of Capital have been stopped and the excesses of Labor will be stopped. But it will require a militant public opinion, a revival of integrity.

Legislation is never constructive *per se*; it is always a choice between evils. If Capital had better policed itself, it would not have been hamstrung by numerous restrictive Acts that have placed powers of arbitrary administration vastly exceeding legislative intentions in the hands of incompetents. If Labor behaves in time, it will escape a like fate. Only government has largely escaped legislation, prosecution, and impeachment.

The most effective and least harmful control is that of an *informed* public opinion. Capital and Labor can thus be adequately controlled. But the State dupes public opinion by withholding or distorting information—and its need for deceit rises as confidence falls. Those who inform democracy the least are the ones who must profess it the most.

Public opinion must rebel against deceit and dishonesty if democracy is to survive. A man cannot cast his

ballot on a false premise any more than he can invest on a false prospectus. Fake in government—through the radio or other means of communication—is more worthy of penal servitude than the sale of fraudulent stock. The latter is aimed only at our dollar, the former at our freedom—even our life.

Before our eyes and heads are clear in the morning some sensationalist, for hire to the highest-paying physic manufacturer, flushed with hot dope from Washington, is directing the public's venom against some foreign or domestic personality, who, he says, imperils the nation, when in fact nothing imperils us more than such needling. Forever beating our breasts about someone else's devils, unmindful of our own, may stimulate the circulation, but it does not create the atmosphere in which peace in labor or foreign relations grows.

If advancing Statism "for the good of Humanity" continues to come to us—and only intelligence, integrity, and determination can stop it—no one will lose more than Labor, just as in war and inflation no one pays more than Labor.

By ROBERT R. YOUNG. *The Atlantic Monthly*, November, 1946, p. 39:5.

Educating Employees About Free Enterprise

EXECUTIVES of representative companies were recently questioned by *Mill & Factory* about management's education of employees on the many advantages of the American free enterprise system and how it functions. They were asked to tell what industry is doing in this line and what more, if anything, it proposes to do.

Some salient findings of this survey follow:

1. 52 per cent of the respondents state that their companies are doing nothing to educate employees on the merits and workings of the enterprise system.
2. Of the various methods used to educate employees, the two most popular are employee publications and group meetings and talks. Both these methods rate 48 per cent.
3. Employee reaction to companies' educational programs is found favorable by 63 per cent.
4. The majority, 65 per cent, are not planning any further expansion of their educational programs.

—*Mill & Factory* 9/46

How the Weather Bureau Serves Business

GIVING the lie to Mark Twain, business men *are* doing something about the weather. It's well known that farmers, commercial airlines, and public utilities have always been dependent upon advance knowledge of weather conditions. But manufacturers, service industries, and merchants are also coming to realize how much of their success depends upon atmospheric conditions. Many business men watch the weather not alone to combat it but to use it as a means of doing more business at less cost.

A large hardware manufacturer keeps track of threatened hurricanes so that he can rush roofing and other materials into the storm area and have them there by the time they are needed.

Construction crews, by knowing what weather conditions to expect, save time and money through advance planning. One large construction firm saved a million dollars by knowing when to pour concrete for war factories. Many contractors and construction foremen use weather forecasts to time outside and inside work. They watch for warnings of high winds and immediately remove or strengthen scaffolds.

One bakery chain saves an estimated \$250,000 a year by considering the weather in stocking its stores. If the weather is likely to be bad, goods are taken to downtown outlets instead of suburban shops because housewives stay indoors when the day is inclement and telephone their husbands to buy bread and cake on their way home.

Mail-order companies watch weather reports and make their plans accordingly. Within three days after a rainy spell in Texas, for instance, mail-order houses in Baltimore, Kansas City, and Chicago can expect orders to come

pouring in. The rural people, forced to stay indoors, get out the catalogs and make up their orders. When the flood of orders reaches the mail-order desks, preparations have already been made to fill them promptly.

Many service industries watch the weather, knowing that its variations affect their operations. Garages and automobile shops know that if the weather is to be bitter cold, they must be prepared to furnish batteries, anti-freeze solutions, and lighter grades of oil and grease. If snow and ice are expected, they must have extra help ready to put on chains and to man towing trucks.

Operations of those engaged in marketing are more or less dependent on weather conditions. This is especially true in the case of foodstuffs. Shipments of vegetables, meats, fruits, eggs, and candies must be protected against sudden changes and extremes in temperature.

Livestock shipments by freight are avoided when hot weather is expected because animals in crowded cars often do not survive the heat. Meat shipments can be made in prolonged cold weather without refrigeration. Shipments of fish and oysters can be made safely during periods of cold weather but, if these products are to be sent into warmer regions, arrangements must be made for adequate refrigeration.

Weather forecasts frequently determine the points to which shipments of perishable foods are consigned, not only because the problem of refrigeration is involved but also because consumer demand decreases in hot weather. The movement of eggs from storage is influenced by changes in temperature. Cold waves bring larger shipments in expectation of increased demands. On

the other hand, shipments of such items as lemons and melons are slowed in cold weather because demand decreases.

Department stores need to know what the weather is to be in order to time their advertising and displays most effectively. Rubbers and umbrellas do not sell well in long dry spells. Special sales are likely to be ruined if the weather is bad. The merchant may save himself the effort of arranging the sale and the expense of advertising and extra sales force, if he consults the weather forecast and schedules his sale for a day that promises to be fair. Many department stores use long-term forecasts in making their plans.

Manufacturers of certain foods, such as pastries, candies, cereals, and macaroni must watch the weather for best results. Soft-drink manufacturers use week-end forecasts in planning distribution of bottled drinks to beaches and resorts. When hot spells are forecast, production is increased; when freezing weather is forecast, bottled goods must be protected.

Changes in temperature, moisture, or other weather elements affect the quality of other manufactured products, also. This is true at certain stages in the manufacture of brick, cement, lime, oils, papers, photographic supplies, varnish, and other chemical products.

Lumber companies use forecasts of rain, snow, or floods to plan the movement of logs from the forest and to avoid shipment of wet lumber. Wet lumber is heavier and costs more to handle. Care is taken not to ship in open cars when the lumber is likely to

freeze together and make handling difficult.

Foundries and machine plants use cold-wave warnings to protect shipments of specially processed materials which might crack or break when exposed to low temperatures.

The business man who is not already taking advantage of available weather information may ask how to obtain the necessary facts. The United States Weather Bureau is prepared to give farmers and business men quite accurate forecasts for a day or two ahead. These short-term forecasts are approximately 90 percent accurate. In many cases, general information is available on what weather conditions to expect during periods longer than 2 days.

Weather forecasts are published in practically all daily newspapers. They are broadcast from 700 radio stations daily in more than 1,300,000 broadcasts annually. The 415 Weather Bureau offices in the country answer thousands of telephone inquiries each day from business firms and from individuals. Business men can arrange to have daily forecasts sent to them from their nearest weather station by telegraph for only the expense of sending the message.

In many cities weather forecasts are given by means of an automatic telephone forecast repeater. The number of calls for these automatic telephone forecasts is large, the one in Chicago having had as many as 250,000 in a single day.

BY SARAH C. SAUNDERS. *Commerce*, October, 1946, p. 17:5.

♦ THE CASH SAVINGS that consumers accumulated during the war, says a Twentieth Century Fund survey, were as large as the total amount they actually spent for goods and services in 1945.

Will America Slump?

A British View of U. S. Business Prospects

THE Wall Street slump which began in earnest on September 3rd, though prices had been declining since May, is not in itself alarming. With their endearing optimism the Americans had become firmly convinced that business was going to get better and better for ever and ever. Wall Street had pushed up stock values on that assumption. All through the bitter labor disputes of late 1945 and early 1946 stock prices went up; the rise was not checked by the predictions of terrible unemployment (which were later proved unjustified); nor by the sudden realization that another war was a possibility; nor even by the squeeze of industrial profits between rising costs and ceiling prices.

All these factors are now mentioned as having caused the slump, but they were all present when the market was still climbing. What seems to have happened is that people suddenly saw the limits of expansion. With 60 million men and women employed, and demand for goods still greatly exceeding supply, the American economy had reached the limits of over-all capacity. For example, with a bumper grain crop to be moved and industrial production at top speed, there were not enough railway trucks to go round, and as supplies of steel, timber, and labor are already stretched, the shortage cannot be made good in less than a year. That gap is typical of many others. For those who like to talk of the "vast power of production," the stresses under which the American economy is now creaking provide a useful lesson. There may be vast scope for increasing the output of a particular industry, but there are limits to the expansion of an entire economy, at any rate within a reasonable time. As the

latest report of the Stabilization Director points out, America has been stretched out beyond her balanced capacity by the excess of demand over supply; and it is not certain that a new equilibrium can be found at a level that is anywhere near full employment.

In fact, the danger is greater than that. A slump can occur even when demand is still unsatisfied, and when the public as a whole still holds an inflationary volume of purchasing power. It needs great steadiness of direction to steer a large, high-income economy through a period of weakened confidence. The loss of £2,500,000,000 of imagined paper values on Wall Street would not matter greatly if it did not make the possessors of a hundred times as much money feel less secure. And while the outside world need not worry much about a correction of American stock prices, it must be deeply alarmed at the possibility of an American trade recession. With all the financial remedies that would no doubt be applied here, the United Kingdom could probably not remain immune to the impact of a deflation in demand which would spread from America round the world.

Fortunately, there is good reason for hoping that no really severe recession will develop in the United States for a considerable time, and that the mechanism of international credit and consultation set up since the end of the war would help to check the spread of a recession before it could become disastrous. Even a moderate decline in American activity, however, might hit British trade hard at this tender stage in our recovery. British exports to the United States are, alas, still largely luxuries which are the first to meet buyers' resistance if optimism sags.

More important, a large slice of British exports goes to countries whose purchasing power depends greatly on the sale of their produce to the American market. Finally, American manufacturers would seek to sell at home, and we have yet to see whether they would

quote the same prices for export as for the home market. The end of the sellers' market may be nearer than one might suppose.

Scope (London, England), October, 1946, p. 39:2.

The Executive's Closed Door

ONE of the reasons business executives do so little fundamental thinking and planning is their pride in always being "available" to their associates. The "open door" policy is commendable, but it can be carried too far. If an executive's door is open *all* the time, it invites visiting—and there is entirely too much profitless executive visiting in business. We all know men who spend most of their time talking, and practically none in the serious contemplation of the problems of their business.

"I can't find time to *think*," is a very common complaint of such men.

One executive of our acquaintance has licked that problem by what he calls his daily "Closed Hour." For that hour his door is shut, and his telephone is turned off. He reads reports and recommendations. He studies letters or contracts requiring especially careful consideration. He scrutinizes manufacturing schedules, sales plans, advertising copy. At the end of this hour of concentration, his secretary opens his door, and from then on he is again "available," though he may continue at whatever he has been doing if no visitors appear.

This executive seems to have found a way to get his brief-case work done in the daytime. Possibly he is quite bright!

—*Management Briefs* (Rogers & Slade)

How Women Rate with the Boss—A Survey

TO determine how women are rated on their ability to handle details, to handle people, and to make decisions, a survey was recently conducted among professional men and executives. The views of this key group are particularly significant, because its members have had experience in dealing with working women, and because they have the power to hire, fire, and promote.

On the first question—whether, on the average, women were considered to have more thoroughness in handling details than men, less, or about the same—the female sex fared better than on any other. They were rated more thorough by 43.9 per cent, less thorough by 25.7 per cent, the same by 24.8 per cent. The remaining 5.6 per cent didn't know.

Far less encouraging was their rating on ability to handle people. Only 15.2 per cent thought women better able to handle people than men; 55 per cent thought them less able; 24 per cent rated both sexes the same; 5.8 per cent didn't know.

Asked whether women had superior decision-making abilities, only 7 per cent answered "yes." Fully 65.8 per cent felt that women had less ability to make decisions than men; 22.8 per cent considered both sexes equally endowed; 4.4 per cent didn't know.

No matter how interpreted, these figures are definitely discouraging to the girl who enters a business or profession in which her progress is determined by men. These ratings may be generally correct, and girls, while competent bookkeepers or painstaking research assistants, may lack the decisiveness and ability to handle people that characterize leaders in most fields. On the other hand, this professional-executive group may be simply rationalizing to protect its own positions from female competition.

—*Fortune* 9/46

Office Management

Cost-Savers for Your Office

MOST offices are less than 50 per cent efficient, industrial engineers estimate. Yet, knowing this, many manufacturers still think that nothing can be done about it. But something can be done, and is being done by alert firms that are taking their cues from plant efficiency methods. The following paragraphs describe some office streamlining methods now being put into operation.

Suiting equipment to the job was Studebaker's aim in developing desks which are eight inches less from back to front than standard desks, save 23 per cent in floor area without loss of essential work space. The center drawer was eliminated so chair arms could be slid easily under desk, and workers need not push chairs back to get at materials. Desks accommodate typewriter platforms on left and right sides. Thus two typewriters can be set up at once to do special jobs. Billing clerks, for example, type items in stock and being shipped on one machine and "back order" items not immediately available on the other machine. This eliminates necessity for frequent interchanging of the two different types of sheets used.

Overhang or protrusion of the desk top at the back makes it possible to draw up chairs for conference, gives visitors a place to put their knees. Studebaker executives don't need the extra conference table that's a space-waster in so many executives' offices.

Order "jackets" at Aldens, Inc., Chicago mail-order house, are different color for each day of week, so delayed orders stand out, can be given special handling, and causes of tie-ups can be found and cured.

Quality control cuts office errors at Aldens. Number of errors per hundred-piece sample of the work are posted on a large running chart by supervisor. Brightly colored, self-sticking tape for lines and numbers makes job easy, good looking. Each department maintains its own chart.

Finger stamp cuts four seconds from handling time on each package in Aldens' shoe department. By old method, quantity was circled and clerk's number handwritten on each ticket. Now stamp mounted on ordinary rubber fingertip does both jobs at once.

An unusual two-level conveyor at Aldens carries orders away as soon as they're processed, eliminates delay when order is completed, also helps keep work areas clear. The orders go in one direction on the top level, in other on bottom, and are thus separated into two groups for further processing at either end of line. Though few companies may be able to use conveyors in the office, all can adapt other plant methods to speed office production.

Letters are duplicated rapidly and accurately on automatic typewriters at Prudential Insurance Company. The letters look individually typed because machines can be stopped to insert personal data in each letter. Since the automatic typewriter requires only part-time attention, one girl operates two machines at once. Carbons are interleaved with paper in advance so that operators can reload typewriters rapidly.

Another plant idea takes the work out of mail stamping. The stamp is suspended from a sturdy spring which

supports it and pulls it out of the way when not in use.

Inclusion of unnecessary information and extra lines of typing in letters pyramid into costly waste of stenographers' time. Typing the company name at the bottom of the letter is unnecessary and requires still an extra typing operation for inclusion of the "By" line. Another common example of duplication is repetition of the signer's name. Since it already appears under the signature, only the writer's initials are needed on the left. Or, if preferred, the writer's full name can be entered on the left and omitted under the signature.

Neatly typed reports look attractive, but they do consume valuable working time. Even a simple form takes several minutes to retype. For this reason, most reports, even those going to the president, at Atlantic Refining Company are photostated as originally written, are seldom typed.

Office cost savings can be realized at every level, of course. For this reason office managers can set good examples for those under them by cracking down on wastes of their own time and that of other executives. Rate your own efficiency by the following checklist:

Has every operation and report been examined to see if it's really necessary? Would it be seriously missed if you eliminated it? Every office has useless procedures and reports, carried on year after year. They can be eliminated—at tremendous savings.

Is messenger service adequate? Are memoranda and mail picked up and delivered at half-hour intervals, or even more often? If messenger service is not frequent enough, high-priced executives and stenographers deliver their own messages, waste valuable time walking around office and to files.

Are enough messengers available to take care of peak demands? Messengers' extra time at slack periods can be taken up with simple clerical jobs—e.g., collat-

ing carbons with paper, stuffing envelopes, etc. It's often cheaper in the long run to have too many messengers than too few.

Is the best possible equipment available for office work? Are office machines selected with careful consideration to the jobs they'll do? Simple time tests on competing manufacturers' machines will show which is best for your office.

Are desks and typewriters the most comfortable height? Experts find most desks too high, typewriters too low. Some say desks should be 28 inches, typewriter tables 30 inches.

Is there, as far as possible, a telephone on each desk, or one for each pair of desks? Telephone extensions are less costly than time wasted walking back and forth to settle minor points and transmit simple information. But personal calls should be limited.

Do supplies go to stenographers and executives before they're needed? Are stationery drawers kept filled, carbons collated for typists? Messengers can do this in their spare time.

Are office manuals provided for stenographers, clerks, etc., to show them exactly what to do and how to do it? Spelling rules and frequently misspelled words listed in a manual save many trips to dictionaries. Manuals can be small mimeographed booklets, need not be elaborate.

Are conferences called unnecessarily? Memos often will do the job, but if conferences must be held, schedule them in advance so participants can plan their time, won't have to interrupt important jobs. Also, pre-meeting memos, outlining topics to be covered, will save hours of discussion.

Is there a central file for most correspondence and company archives? Could you find, right now, price lists of 10 years ago? Records are useless when filed and forgotten in someone's desk or private file. Unless material is used constantly and by only one person or one department, it should be thrown out or kept in a central file, delivered on request by messengers.

When office equipment and layout are changed, do you consult the people involved, get their suggestions and ideas? They're right on the spot, can often point out vital details that might go unnoticed.

Do office workers have rest periods? They'll work more efficiently, just as factory employees do, if they have short "breaks" for relaxation.

Modern Industry, September, 1946, p. 41:5.

Personal Phone Calls in the Office

EVER since telephones became standard office equipment, management has had frequent occasion to ask itself whether some restriction should be placed on incoming and outgoing personal calls. To determine how many companies consider this a problem—and what they're doing about it—the National Office Management Association recently conducted a survey of 256 members attending a national conference. Answers were sought to three principal questions:

1. *What is the policy on incoming personal calls? Are they permitted? How handled?*
2. *What policy governs outgoing telephone calls?*
3. *Is a charge made for outgoing calls?*

Telephone policies reported affected a total of more than 115,000 office employees in widely scattered localities.

The Results. Six principal facts emerge from the survey:

1. Fourteen out of every 20 companies permit incoming calls to be received by office employees at all times.
2. Approximately the same proportion permit office employees to make outgoing calls at all times.
3. Fifteen out of 20 companies make no charge for outgoing local calls.
4. Less than one in 20 companies have no definite policy governing telephone usage.
5. The smaller the company, the greater the acceptance of the practice of permitting incoming and outgoing calls at all times and of making no charge to employees.
6. Geographic location, as indicated in this survey, had no appreciable influence on practices. The wide scatter of cities represented by respondents must qualify any interpretation.

Incoming Calls—General. Of the companies permitting their office employees to receive incoming calls at all times, one company was reported to be

considering revoking the privilege because of abuses, while several indicated they "discouraged but did not refuse" the use of the privilege. A few more suggested that controls were in effect to minimize abuse, such as routing incoming calls through the departmental supervisor. Three indicated that length and number of calls were restricted. One restricted permission to special lists of employees.

Of those companies enforcing a specific restriction, almost as many took the incoming message and delivered it to the employee as those which permit incoming calls only in case of an emergency. Together, this group represented about five of every 20 responding companies.

It is, perhaps, significant that not one company declared that incoming calls were not permitted, though several restricted both incoming and outgoing calls to lunch and rest periods. There was sufficient comment entered on the forms to reflect that supervisory or executive personnel are generally given a relatively free hand so far as telephone usage is concerned.

Breakdown by Industry. Of the 256 companies surveyed, 183 or 72 per cent permitted incoming calls at all times.

At least half the companies in each type of business represented permitted calls. Petroleum companies (14 of 15) had the highest proportion, followed by food manufacturing, sales and distribution, textile manufacturers, banking and financial organizations, and chemical and pharmaceutical manufacturers. On the other hand, only half of the wholesale sales and distribution, printing, advertising, and publicity concerns granted the privilege.

The Incoming Emergency Call. On the question of permitting incoming calls in case of an emergency, 32 companies or 13 per cent of all companies indicated permission was given. An additional 29 or 11 per cent took the incoming message and delivered it to the employee.

The highest percentage (25) permitting only incoming emergency calls was reported by retail sales organizations, though wholesale concerns, metal products manufacturers, and banking and financial institutions were relatively high.

Outgoing Calls—General. Virtually the same proportion of the total companies—178 or 70 per cent—permit outgoing personal telephone calls as compared to the 183 or 71 per cent permitting incoming calls. There was a considerable degree of correlation by kinds of businesses in permitting both incoming and outgoing calls at all times.

Breakdown by Industry. Companies of only one kind of business reported less than half their number permitting outgoing calls. This exception was transportation, with only 43 per cent of the companies permitting outgoing calls. The following business types reported less than two-thirds of the companies granting the call privileges: Retail Sales (50 per cent); Printing, Advertising, and Publishing

(50 per cent); General Manufacturing, Wholesale Sales, and Distribution (50 per cent); Metal Products Manufacturing (64 per cent); Insurance (65 per cent).

Charging for Calls. Only one company in six charged for local calls made by office employees on company telephones. One company in 10 reported the installation and use of pay telephones. Of the three companies out of four reporting that local calls were free to office employees, over half made special mention that long-distance calls were charged for; three denied employees the privilege of making long-distance calls at any time.

Use of pay stations was so limited as to produce no significant figures by type of business.

Practices and Size of Companies. The survey indicated that the smaller the company, from the standpoint of number of office employees, the greater the probability that both incoming and outgoing calls would be permitted at all times and that outgoing calls would be free to employees. This correlation was evidenced to a marked degree in companies with 100 office employees and under. Companies with one to 25 employees topped all groups in reporting liberal telephone policies.

NOMA Forum, September, 1946, p. 7:5.

"Gripe Boxes"

SUPERVISORS at the Winchester Repeating Arms Company, New Haven, Conn., have found "gripe boxes" to be helpful assistants. These "gripe boxes" were placed at various points in the plant. The boxes have a workman painted on them, with his mouth wide open, voicing a "Gripe." Employees "stuff" their gripes down this open mouth. This gives them an opportunity to register complaints which may not be important enough to take up formally with the supervisor.

Forms are supplied on a shelf at the bottom of the "gripe box." Workers are invited to fill in and deposit these forms. "What's Your Pet Peeve?" the company asks, and continues: "Are things getting under your skin? Is there something eating you? Is there anything you want to get off your chest? Grab one of the forms. Don't sign it. Just stuff it down one of these roaring Grippers." Workers are also assured that suitable action will be taken.

—Management Information 7/29/46

Personnel

How Management in 100 Plants Informs Workers

IN keeping its workers informed, the average company, among the 100 covered in *Factory Management and Maintenance's* employee information survey, does a good over-all job. But the survey reveals a gap in reporting on the economic facts of life—and in advising workers about changes in products, materials, and sales.

Bulletin boards are the most widely used medium. Only one company indicated that it did not use boards. Seventy magazines and newspapers are reported circulating among the employees of the companies surveyed. Forty-six companies use booklets and pamphlets for employees, and 47 distribute special induction booklets.

Product information—news of the item on which the worker's bread and butter depend—is the phase of employee communication on which industry falls down hardest. Less than half the responding companies give their workers announcements of new models. Only 15 relay news of cost and price reductions. Only 22 tell the story on sales gains—the best measuring stick workers have of their company's progress and their chances of continued employment.

When asked about the types of policy on which employees are informed, most companies indicated continued hesitation about discussing profits and their relation to wages, technological developments, and the economics of their industry and the company.

Management takes foremen into its plans, informs them on policy and products, and meets with them regu-

larly, the survey reveals. The average company uses training sessions, special communications, meetings, or dinners to reach its foremen regularly. Sixty-seven companies have training programs; 79 issue special letters or pamphlets; 92 hold foremen's meetings; and 67 have dinners at which supervisors meet top management.

Magazines are the most popular publication medium. Forty-two companies have regular monthly magazines and five more publish magazines periodically. Newspapers, 23 of them, take second place. These are published monthly, weekly or bi-weekly. Usually the personnel department gets the editing job, though six of the companies have two full-time editors and 21 have one editor.

The survey indicates that the chief advantage of magazines over letters and meetings lies in their regularity. Fifty-three companies reported using letters, but only seven issue them regularly. Comment showed that many of the letters were sent directly to employees' homes—probably the most effective method of insuring that they'll be read. Similarly, 30 companies say they hold large-scale meetings of employees, but only 13 schedule them regularly. Chief comment on the letters and meetings was that they were used to "meet emergencies" or "when necessary."

Thirty-six companies have loudspeakers throughout their plants, 28 using them for company announcements, and 22 using music regularly to relieve monotony. One interesting sidelight on the letters and sound systems

is that presidents of 22 companies sign letters going to employees, but only four talk to them over public-address systems.

A majority of companies using bulletin boards had one board for each 50 to 100 employees. Size of the boards, comment indicated, was set by the number of messages that must be displayed, space available, and the size of the department in which the bulletin board was located.

Books and pamphlets on company policy, safety, and employee plans were used by 46 companies, induction booklets by 47. Most companies, even those that indicated that they do have press releases, do not make best use of local newspapers as a channel to reach employees. Only five of the 100 responding companies gave releases to the newspapers monthly, weekly, or on a regular schedule.

Comment on slide films and motion pictures indicated that use of visual aids had slipped since war production programs have ended. Where films are used, they most frequently deal with safety subjects. Four of the companies indicated that they made their own films; eight rented from commercial agencies; others obtained films from large industrial companies, insurance companies, or government agencies.

Biggest "blind spot" revealed in the survey was the reluctance of industry to discuss economic questions with em-

ployees. Though 64 companies publish financial reports for stockholders, only 10 distribute them to both stockholders and employees.

The effect of unions on management was shown by the fact that a large number of companies do inform workers about policies concerning union contracts, shop regulations, grievance procedure, discipline, job classification, seniority, hours, and vacations. Though only 30 of the companies said they inform employees on the company viewpoint in labor disputes, this figure may be misleading, since only a minority of the industrial companies had major labor-management conflicts recently.

The 47 companies which announce new models to employees, usually show the relationship between the individual's work and the finished product. However, most companies apparently overlook the possibility of building morale and assuring the worker of his future security by telling him of research activities or giving him examples of the usefulness and consumer acceptance of his product. Similarly, the story behind changes in design or changes and improvements in materials is not announced in advance or spread generally through the plant so employees can follow management efforts to improve quality or spur sales.

Factory Management and Maintenance, July, 1946, p. 114:4.

Umbrellas to Lend

NO matter how wet the day, employees of Carboloy Co., Inc., Detroit, arrive home dry, warm, and happy. Company keeps a rack of umbrellas just inside the door to its parking lot. Employees borrow the umbrellas, hand them back to gate guards as they drive out.

—*Modern Industry* 3/15/46

• **TAKE THEM DOWN:** Several plants have adopted the practice of putting "take down" dates on bulletin board notices. This helps prevent protracted display of stale notices and gives greater interest value to new material.

—*Industrial Relations Bulletin* (Sylvania Electric Products, Inc.) 6/46

An Industrial Program for Mental Hygiene

THE concept of mental hygiene has recently begun to play a significant role in modern industrial medical circles. And, unquestionably, as companies install facilities for the care of workers' emotional problems as well as their physical difficulties, human relations within industry will markedly improve.

A significant development in this direction is the Program for Human Engineering at the Caterpillar Tractor Company, which represents the combined thinking of two groups of industrial mental hygienists—namely Cornell University Medical College and "Caterpillar Medical." This comprehensive program is designed to improve selection and placement techniques, assist supervisors to "spot" emotional difficulties before they become acute, and provide counsel and therapy for workers as required.

Selection and Placement. Since it is the main function of persons interviewing applicants for employment to screen those who may be fitted into the routine of industry, it is necessary that they have an understanding of at least the essentials of human psychology. To this end a series of lectures was given to the interviewing staff, so designed as to make them aware of the qualities which would militate against good work adjustment. Topics included the use of biographical data such as school and work history as obtained from the application blank, and an explanation of intellectual handicaps and their relation to various types of work. The result of this technique was to broaden the perspective and increase the efficiency of the interviewer. Another training technique consisted of supervised demonstration interviews, wherein the interviewers performed

while being observed by the personnel consultant. In addition to these procedures to enable the interviewers to develop proper habits and interview more satisfactorily, conferences with them in a group were held. These "headache clinics," so called because cases which presented problems to interviewing were discussed, were also led by the clinical psychologist.

While tests of intelligence and aptitude have been widely used in selection and placement, the effectiveness of these tools has been widened by the use of two measuring devices—the Cornell Index and the Cornell Word Form for the evaluations of personality.

The Cornell Index is a quick, reliable method of measuring emotional adjustment and facilitating diagnosis. It consists of questions concerning complaints caused by emotional disturbances, for instance, "Do you have difficulty in falling asleep or staying asleep?" The Index is in essence a short neuropsychiatric and psychosomatic history consisting of 62 questions designed to uncover evidence of defects of a neuropsychiatric and psychosomatic nature.

The Index is self-administered and can be given either in groups or individually; it requires about seven minutes to complete and can be scored in less than one minute by persons with secondary school education or its equivalent. It is an effective time-saving device in placing before the interviewing examiner a clinical profile of the subject's personality defects. By bringing to the examiner a body of data assembled according to symptom complexes, it should improve the accuracy of his judgment. It is the brevity of the Index, its simplicity of administration and scoring, its focus on special personality problems, and

its easily understood language that recommend its use in the industrial situation.

The Cornell Word Form, another instrument developed by the Cornell group, is useful for the detection of personality disturbances. Moreover, this test performs the task in a manner not readily apparent to the subject. It consists of a list of stimulus words next to each of which are two other words. The subject is asked to choose the one he thinks fits better the stimulus word. Some of the choices are comparatively obvious in their implication, for example, sleep—comfort, restless. Others are not obvious, i.e., mother—mine, woman.

After being hired at Caterpillar, the new employee is asked to fill out the Cornell Index and the Cornell Word Form. Those who have poor scores are interviewed by the clinical psychologist of the medical division. This group is fortified against poor work adjustment by means of preventive psychotherapy.

Induction, Adjustment and Follow-up. All new employees go through an induction procedure. This consists of an illustrated lecture explaining the various parts of the plant and giving information on such practical procedures as first aid, the method of calculating wages, safety measures, etc. One part of the induction program deals with emotional adjustment and has two purposes: (1) To make employees realize the potential emotional stresses of the new situation in which they find themselves. This is done in advance to protect them from the results of such stresses. (2) To make them feel that the work they are doing is worth while and that they are contributing to the improvement of their own lives and the betterment of their community and

thus increase their interest in their work and bolster their morale.

Psychiatric Interview. All subjects of this investigation were interviewed by a psychiatrist to ascertain the presence of personality and psychosomatic disturbances such as continued or periodic anxiety or depression, headaches, gastro-intestinal complaints, palpitation, difficulty in breathing, attacks of faintness, etc. The interview further aimed at uncovering histories of alcoholism or criminal behavior and the identification of shut-in tendencies, excitability and irritability, impulsive behavior, worrisomeness, lack of interest, and sexual difficulty. The inquiry also explored the individuals' hobbies, relationships with other people, marital status and childhood history.

The technique used in acquiring this information is an easy-going method of questioning, inducing the subject to talk freely and spontaneously. The interview usually begins with a discussion of the subject's interest in his work and his health record and then goes on to the topics mentioned. If the subject becomes uneasy and refuses to continue the discussion it is explained that the purpose of the interview is to ascertain his condition of health in order to place him adequately or to help him with his difficulties. This explanation is adequate in most instances. If information is thereafter withheld no pressure is exerted to overcome reluctance.

Training of Foremen. A series of lectures was given to foremen to instruct them in the management of employees and their problems so as to foster good work attitudes. These discussions aimed at making the men aware of the symptoms which heralded a decrease in industrial efficiency.

Foremen were further trained in recognizing the symptoms of employees' disturbances and handling them adequately. A manual and text designed to train the foremen in the recognition and management of emotional problems that occur in persons under their supervision, is being written to supplement the lecture series.

Psychiatric Counseling. Frequently, when workers evidence inability to get along with their supervisors or their associates or rather abruptly "fall down on the job" the underlying difficulties can be adjusted through psychiatric counseling. Efficiency and satisfaction of employees can be maintained if professional help is at hand to aid them in the solution of their emotional problems.

Workers' emotional problems often come to the fore in their complaints or requests for special considerations. For example, requests for transfer or leave of absence were based in many cases on complaints of nervousness and fatigue—and various physical manifestations

such as gastro-intestinal, chest or back pain were also enumerated. On psychiatric examination it was found that anxiety states were responsible for symptoms in 86 per cent of the cases.

Under such circumstances, it is possible to correct the underlying difficulties and avoid for worker and company alike the disruptive effects of unnecessary rearrangements.

Illness encountered in industrial situations, like all other illnesses, frequently arise from a variety of causes, both physical and emotional. Hence, to understand the etiology of such illnesses, it is necessary to assume that both of these factors are operating and to proceed to make physical and psychological investigations at the same time in each case. It becomes apparent that industrial medicine must embrace hygiene, medicine, and psychology and that none of these aspects can be ignored.

BY HAROLD A. VONACHEN, M.D.,
et al. Industrial Medicine, March, 1946,
p. 179:6.

Workers' Club Sponsors Recreational Activities

EVERY employee at the Western Electric & Manufacturing Co., Cicero, Ill., is a member of the Hawthorne Club, an organization which sponsors recreational activities for the plant's workers. Club activities are in charge of 15 directors, 25 sub-chairmen, and 225 representatives. The organization plan is simple but effective. Under the board of directors, each officer is responsible for certain functions—the president, for men's athletics, developmental and educational activities; the first vice president, for associated clubs and entertainment; the second vice president (a woman), for women's athletics and recreation, reports, and scheduling; the executive secretary, for clerical work, accounting, theater and travel items, and magazine subscriptions; the treasurer, for budgets, finance, and business methods. Under these executives are sub-committee chairmen and representatives. Members of the board of directors are elected, as are the officers, after a nominating committee has submitted its report. Standing committees to handle club representation, business methods, budget, developments, scheduling, Christmas observance, and women's activities are appointed by the president, subject to approval of the board of directors.

The club maintains an evening school—administered by a full-time principal, who is in charge of the educational committee—with a curriculum of over 60 subjects: The first semester starts in September; the second, in January, and lasts 13 weeks. Most classes are held one night a week.

The club library was established as a branch of the Chicago Public Library. It contains reference books supplementing the courses offered by the evening

school, as well as fiction, non-fiction, etc. There is also a renting library for use by employees.

One block from the plant is Memorial Field—dedicated to Western Electric employees of World War I—containing an athletic field, a gymnasium with a seating capacity of 1,900, and facilities for dancing, baseball, softball, etc. Gym classes are free to all employees, as are all other indoor sports. Separate locker rooms and shower baths for men and women, club rooms, check room and office are all in the building.

Plant buildings are laid out in quadrangular form, with the center rectangle developed as a landscaped area with lawn, flowerbeds, concrete walks, and benches for the use of employees during lunch hour. At one end of the rectangle is a band shell with a public address system for noon-hour shows, concerts, etc. A terrazzo dance floor permits dancing in the open. At the other end of the park are 14 horseshoe pitching courts.

The club provides notary service, a travel bureau, a theater bureau, and arranges entertainments, banquets, etc. Associated clubs, which are hobby or special interest groups, consist of the boot and saddle club, camera club, forum club, etc. An annual exhibit is held to display the hobbies of employees who devote their leisure time to creative effort. First-aid courses are recommended for all club members. Another course offered free to all women employees consists of eight hours' instruction on health, personal appearance, and personality. Activities of the clubs are enthusiastically endorsed by Western Electric workers and have the full cooperation of plant executives and foremen.

—Industrial Recreation Bulletin Service (National Recreation Association)

Building a Successful Employee Publication

IF you are not sure that your employee publication is doing its job, consider what Aldenite did with its house organ.

Through a survey of the firm's employees, it was found that most *Aldenite* readers preferred articles about the company and its place in industry to the personal items which had been very prominent. Many departments, the readers felt, were being neglected as far as personal items were concerned, and almost everyone thought that more pictures were needed. Response, on the whole, was so enlightening that it was decided to repeat the survey every year.

A new program was devised for staff members. Four associate editors were appointed, representing each division of the house, whose duty it was to write feature articles on their division's work and purpose. Reporters were redistributed and made responsible for certain departments in each building, and a luncheon at which the new plan was discussed was given for the editors and reporters.

Each reporter was given a notebook with her name and the words, "The *Aldenite* Reporter" stamped on it in gold. In the notebook were forms to be used in submitting news as well as blank pages for notes and for pasting in each original article and a clipping of it. A letter was dittoed and placed in the front of the book listing the deadlines for the next six months and explaining the rules of a contest which all might enter.

If a reporter sent in news for four consecutive deadlines, she would be eligible for a \$15 award for a story or editorial which, in the opinion of the editor and the director of industrial relations, was good in form and content. Awards were to be given to all reporters who submitted acceptable stories. Reporters were urged to bring in as many pictures as possible, with a promise that the pictures would be returned as soon as the paper was printed.

A reporter's manual was prepared by the editor to explain more fully the purpose and method of the *Aldenite* and to point out the value of good reporting to other employees of the organization. The basic points to be covered in any news item—Who?—When?—Why?—Where?—were emphasized, and the elements of good news style were outlined.

—Supervision 9/46

• FARMERS account for 10 per cent of the national income in peacetime . . . and for 33 per cent of the nation's children, says a Twentieth Century Fund report.

10 Ways to Pep Up Employee Handbooks

MANY companies are now revising their employee handbooks to eliminate wartime material and are taking advantage of the opportunity not only to bring manuals up to date but to make them punchier and more professional-looking jobs than they were before. The most difficult aspect of writing an employee manual is, of course, in laying down the law. But rules, if tactfully presented, can be made quite palatable and, therefore, effective. Here are some pointers well worth noting:

1. Make the copy friendly. When you sit down to write the rules, just say to yourself, "Now, how would I want someone to explain the rules to me?" Then go ahead and do it.

Of course, this doesn't mean that you should make no effort to impress the worker that discipline is important. But this can best be accomplished through sincerity rather than intimidation.

2. Sprinkle lightly with humor. Don't make your rules section look and sound like something from a comic strip, but keep it nicely balanced. Sufficient humor can often be interjected in the copy by sketches along the borders of each page. This method is generally preferred to the dubious use of humor in the text itself. If humor is to be used in the text, it must be cleverly handled or it is likely to boomerang.

Another method of introducing humor—one often used with sketches—is that of employing droll or amusing captions throughout the handbook. Such captions can be closely tied in with the sketches, and thus achieve a continuity in the pattern.

Too many funny sketches and captions will distract rather than add to the effect of the rules' section. If you

dress the section up too much the employees will never read the rules.

3. Let department heads help you write the rules section. Perhaps there are rules you are overemphasizing as far as the supervisors are concerned, and others which should be presented more forcefully. The tendency in many handbooks, however, to give about the same weight to all rules, minor and otherwise, is as bad as reciting Shakespeare in a monotone. Also, there may be some rules for which the discipline is relatively mild, but which are broken so often that the combined infractions are serious.

4. Let an expert in typography help you lay out the book. A handbook should be prepared as carefully as an advertisement for your product. You want your employees to read it, so make it an eye catcher.

A typographer can advise you on the size and kind of type to use in the text. It shouldn't be any smaller than 10 point. He will also help you with your heads, and choose a display type that blends with your text. An expert can also help you in ordering your cuts and type if your printing is done on the outside.

5. Use color to break up your pages. Both border sketches and captions offer an opportunity to break up pages with color. As a rule, the pages in most rule books use color in such a way that one page will have two sketches or spots of color while the facing page will have but one. This method of handling the color spots does not chop up the text too much, yet there are no solid pages of type to bore the reader.

A few books dispense entirely with colored cartoons and use tint blocks—small patches of color—instead, to either outline the pictures, or as a

background for the captions and titles with the text and pictures.

6. Revise your rules periodically. The burden of discipline enforcement usually falls on the shoulders of supervisors, and they should be given a chance to keep rules up to date. Periodic revision also gives supervisors a chance to air their problems, and when changes are made according to their needs, they feel that management is doing what it can to help them with the distasteful job of discipline enforcement.

7. Check your rules with other plants in the area. Several industrial relations men maintain that employees often compare notes on rules and discipline with employees from other plants and the authors keep this in mind when they write their handbooks and rules section. Sometimes they will change a rule a bit if they discover that they are too far out of line with the accepted practice. Or they may find it necessary to explain why seemingly severe punishments are meted out for violation of certain rules. For example, the penalty in one plant for smoking in the shop is the loss of one day's pay. In another plant, any employee caught smoking in the shop is discharged. If the employee understands that there is vapor throughout the shop from the highly inflammable materials used in the operation, and that it is necessary to keep large stocks of these materials in the shop, then he will understand the importance of the no-smoking rule.

8. Don't talk down to your employees through your illustrations. There are ways of being humorous and dignified at the same time.

Here's where it will pay you to spend a little extra for a good artist. He will see to it that you don't finish with a collection of the same cartoons

that are found in 90 per cent of the other rulebooks. He will also be able to advise you on the proper use of color in connection with your illustrations and tint blocks.

After you make your layouts, sit down with the artist and tell him the kind of illustrations you want. Be sure the artist submits roughs for your approval before making the final drawings. Check to make sure that the drawings will scale down to the space allotted them in the book. Don't be afraid to send back anything which doesn't suit you. An artist expects that. This is a book which is going to be read by every employee and referred to over and over again. It has to be good.

9. Make your handbook a handy size. The smallest practical size seems to be about $4\frac{1}{2}$ inches wide by $6\frac{1}{2}$ inches deep. Other common sizes are 7 by 9 inches, $5\frac{1}{2}$ by $7\frac{1}{2}$ inches, or $5\frac{1}{2}$ by $8\frac{1}{2}$ inches.

It might seem better to make your dimensions pocket-size, and this has been done, but you will either have to use very small type, or a great many pages. It is also very difficult to produce an attractive layout when using a small page size. Working in illustrations effectively is almost out of the question.

10. There should be a statement of policy governing employee relations in the front of the book. This becomes an introduction to the specific rules, and serves very much as the constitution of the corporation. It blueprints the long-range policy. The actual and specific rules necessary to effect this policy should correspond to the corporation's by-laws. This basic policy should be changed only by action of the board of directors, and as infrequently as possible. On the other hand,

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the working rules, or by-laws should be reviewed periodically and changed when necessary.

The statement of employee relations policy should be carefully written, approved by the board of directors, and published as a sort of bill of rights in the front.

Those who wish to study some excellent examples of employee handbooks can write for copies from the

following companies: Moorman Manufacturing Company, Sears Roebuck & Company, Western Gear, Abbott Laboratories, Williams Oil-O-Matic Heating Corporation, American Airlines, Inc., Benrus Watch Company, The Shelton Looms, Farrel-Birmingham Company, and the Sonotone Corporation.

Industrial Relations, August, 1946, p. 16:3.

A Code of Personnel Administration

PERSONNEL workers in the Department of Agriculture recently adopted a code of personnel administration, the principles of which are stated in terms of daily business experience. Writing in *Personnel Administration*, T. Roy Reid points out that this code is not a mere statement of general morality: It is a working guide, developed to help personnel administrators maintain good practices, meet professional challenges, and encourage cooperation in achieving labor's and management's common goals. The text of the code follows:

We who are responsible for personnel administration stand pledged:

1. To place respect for human dignity above all other considerations.
2. To discharge our duties with a high sense of responsibility to the workplace, the home, and the community.
3. To hold confidential information as a trust.
4. To aid the full development of each employee's potential for service, and to help place him in the position for which he is best fitted.
5. To be truthful in all recommendations, and to abstain from recommending unsatisfactory employees as an easy solution of difficult problems.
6. To encourage supervisors to discuss with employees all changes that will affect them personally.
7. To represent, with full loyalty to both, the employee's interests to management and management's interests to employees, and to try to make plain by thoughtful interpretation how the true interest of the one is the true interest of the other.
8. To teach by example that we are all responsible for making ourselves as efficient as possible, for producing each day as much as we can, and for improving the way we do our work.
9. To discharge our duties with recognition that supervisory officials have an important share in personnel administration.
10. To recognize that the over-all objective of personnel administration is to protect the interests of all whom the organization serves.
11. To develop and adopt improved techniques of personnel administration.
12. To exemplify in personnel offices those standards of personnel management that we recommend to supervisory officials.

Following the Labor Press

ONE of the best ways to keep abreast of changes in wage earners' attitudes is to follow the labor press. Because the number of union publications is almost legion, however, several services designed to provide busy executives with a regular survey of labor periodicals have sprung up.

The latest service of this type is *The Labor Press Reporter*, published by The General Publishing Company, Silver Spring, Md., and edited by Huntington Harris and Paul M. Lewis. This service consists of a monthly *Reporter* and a weekly *Interim Release*. The monthly *Reporter* is based upon the content of the labor press for the preceding month, and contains summary, analysis, and a listing of all statements made in the press during the period covered. The weekly release is a four-page topical summary intended to keep subscribers up to date on current events as described by the labor press.

How to Improve Employee Rating

WHAT Mark Twain is supposed to have said about the weather might apply equally to the subject of merit rating—everybody talks about it, but nobody does anything about it. To be sure, many organizations use forms which purport to be in this general direction. It is always open season for devising merit rating forms; and the less a personnel man knows about psychotechnics, the more intense become his activities in designing such forms. Possession of a form is considered as a *fait accompli* for the procedure itself.

In many organizations merit rating is seldom little better than a gesture for two reasons: (1) Form design and rating procedures disregard the significance of the normal distribution curve of abilities; and (2) men are rated without regard to level and function within the organizational structure.

The significance of merit rating as a tool in salary and wage administration lies in the correct positioning of a man's performance within the range of his job classification. Merit rating, like any other psychological measurement, depends on the *relative* comparisons of people; a merit rating is not a deviation from zero, which is measurement in its absolute sense. Obviously, therefore, a man cannot be rated alone but must be considered in terms of where he stands in respect to a homogeneous group assigned to similar tasks and at the same level of responsibility.

The factors which should be included in any rating form should reflect the remunerative philosophy of the organization rather than the preconceptions of an engineering consultant or local college professor. After all, there has been some basis of thinking in any organiza-

tion with respect to increases. If, for example, this thinking stresses "house-keeping," as in one large organization manufacturing surgical supplies, this should be duly reflected in a merit rating instrument. It must be emphasized that a merit rating form should reflect, and make more articulate, the considerations that already exist rather than create an entirely new set of factors which may never have been considered.

It is nonsensical to take the view that, since only a psychotechnician can correctly determine the factor weights by statistical means, no weights should be assigned. If no consideration as to weighting is given, each factor is still weighted, but weighted equally. The best available judgment as to the relative significance of each factor is infinitely better than no judgment at all.

Factors should be limited to those that (1) can be clearly defined, (2) are generally understood, (3) exist in observable differences, and (4) differentiate between men within a group. Where objective factors, such as cost performance, lost-time accidents, house-keeping, etc., can be used, the reliability of a rating instrument is materially improved. But such factors as personal integrity, for example, are meaningless. Integrity may be important in considering supervisors; nevertheless it cannot be defined. No one understands it, and the most accurate clinical observation cannot detect the sense-unit differences that might exist in such a factor. These intangibles and imponderables do not have meaningful overt behavior characteristics; furthermore, raters cannot differentiate between sense-units; in the third place, it is doubtful if most of them even exist.

What effect does the normal curve of distribution have on ratings? Obviously, if you know nothing of the performance of a supervisor, for example, your one best guess would be that he is average. The primary purpose of rating becomes one of seeing how significantly he deviates from this average. The terms "inferior" or "superior" become meaningful only as they are related to the term "average."

The supervisor who rates all his men at the top of the scale is, in effect, rating them all merely average, for he has not deviated above and below this "central tendency." Similarly, the supervisor who rates all employees at the bottom of the scale is, in effect, rating them as average. How this concept of normalcy and central tendency relates to scales divided into four parts (a form widely used) lies beyond the scope of this paper; when an engineer tackles a psychotechnician's job, the results are often as bizarre as might be the case if a sheet metal worker went into millinery design.

Another major difficulty, mentioned above, is equally widespread. One illustration will suffice. Some years ago, the writer was put in charge of a department while semi-annual ratings of salaried employees were being made. This system, installed by a prominent firm of consultants, did not consider performance within levels but was applied "across the board." The highest rating in the department had been given to the lowest-paid clerk, and his total points were higher than those assigned to high-priced technical section heads.

Having diagnosed the two principal diseases which generally debilitate merit ratings, let us consider the cure for each. Without a clear-cut concept of levels in the organizational hierarchy, merit ratings cannot hope to be signifi-

cant. General foremen must be rated against other general foremen, foremen against foremen, etc., and there must be no question as to the accuracy with which these men have been so classified by job evaluation.

As to the problem of obtaining normalcy in ratings, two possibilities are open. One method is to allow two levels of supervision to rate the men below them, reflecting normalcy in these ratings; the statistician would then bring all departmental ratings into line and adjust them, if necessary, to reflect efficiency between departments. Additional refinements are possible through the statistical leveling of ratings, but these techniques must be left to the statistician.

There is, however, a better way to do the job and at the same time perform a splendid bit of over-all management thinking. The second method is generally referred to as consensus rating.

A group of superintendents, under the conference leadership of a chief analyst, places the list of general foremen on the blackboard; nominations are then made as to the top 25 per cent in performance on the particular factor being considered; nominations for the lowest 25 per cent follow. Obviously, those not included above or below these quartiles have automatically been rated as average in this particular respect. An opportunity is then given the group to refine judgments further as to the top 5 per cent and, similarly, the lowest 5 per cent.

In this same manner, a group of general foremen can sit together under a wage analyst (who is actually training as he clarifies concepts during discussion), and ratings are developed for the foremen under the group. Since all foremen, even in a moderate-sized organization, cannot be rated at one time,

horizontal relationships must be considered later as foremen's ratings are brought together on the analyst's desk. If selected foremen in one group at the 5th, 25th, 75th, and 95th percentiles are compared, it is not difficult to determine the comparability of group performance at the same level.

The remuneration of supervisors and junior executives must not be left to

chance or the obsolete practice of oiling the "squeaking wheel." A sound salary and wage administration program will go far to building and maintaining the kind of morale and confidence in one's organization that allows men to turn their attention to their work rather than scheme about their "take-home."

By ALFRED J. CARDALL. *Modern Management*, April, 1946, p. 8:3.

Are Periodic Medical Checks Worth While?

INDUSTRY, particularly at the beginning of the boom that followed World War I, was quick to see the benefits of periodic medical examinations, both to employee and employer, in prolonging life, preventing disability, reducing absenteeism, and thereby maintaining the labor supply essential for high production. Accordingly, many of the larger industries offered examinations to their working forces at no charge.

As is usually the case when a new idea is introduced without sufficient study and analysis, false starts were made, possible benefits exaggerated, and results were occasionally misused. That is precisely what happened in some industries which undertook the examinations without previously informing themselves of the possible advantages and disadvantages, the limitations, potentialities for harm, and means of overcoming them.

Labor, naturally vitally interested, voiced objections to the examinations soon after they were started in industry. Bluntly, the accusation was made that the information disclosed by the examination was used as an excuse to get rid of some workers who were un-

popular with, or considered undesirable by, management. It was also alleged that some employees with slight, remediable defects were discharged as an economy measure to avoid possible future disability. In fairness it must be admitted that in some instances there was a definite basis for the accusations, but these were few and far between.

Periodic examinations, like medical services in general, constitute one of the best forms of industrial relations if properly handled. Improperly utilized, periodic examinations are certain to undermine and destroy even the best employer-employee relationships.

It must be remembered, however, that the examinations have shortcomings. They are not so certain to produce all the desired benefits claimed by their advocates, nor are they as undesirable as the warnings of some of their critics would indicate. It is true that not all diseases can be brought to light by early examinations, but some can be detected soon enough either to cure or check them. One of the best examples is tuberculosis of the lungs. If all cases of that disease are taken in hand early, they can almost always be cured or arrested. Not only can those

affected be saved, but proper treatment will prevent the development of new cases resulting from contact infection.

Recently a great cancer-prevention campaign has been launched in this country. Never before has a health problem been so aggressively attacked. The campaign is largely based on educating the public to the seriousness of the disease and the fact that our only present hope for a cure is early diagnosis. This is certainly a potent argument for regular, periodic medical examinations.

Diabetes is another disease that is controllable if discovered early. Many of its victims are unaware of their conditions, but if it is uncovered in a periodic examination, proper diet and medical care can check it quite easily.

Organic heart disease usually produces no symptoms until the heart is badly damaged and those afflicted do not suspect anything until the break comes, followed by disability and invalidism. However, if it is discovered before symptoms appear, serious illness can be postponed for a long time by proper arrangement of work, exercise, rest, and appropriate medication. Here, again, the value of periodic examination is obvious.

Reference has already been made to the criticism of periodic examinations by labor and to the harm that has resulted in some instances by misuse of the information brought out by the examinations. Another factor which must be kept in mind by those who interpret the findings to the examined persons is that some people naturally are given to worry, with or without cause. The possibility of creating such anxiety in those examined is a real problem, particularly when examinations of large groups are conducted in routine fashion. Those who interpret

the findings and make recommendations for treatment must be sympathetic and understanding, and possess an unassailable sense of fairness.

In the recent strikes, the unions based their demands for an increase of wages on the rising cost of living, and practically all cited the increased cost of medical service as an example. Industry must take cognizance of the situation and plan to meet it. It must decide whether to do nothing and await inevitable union demands or offer some plan of its own which will provide efficient medical service to workers within reasonable limits.

Some essentials of a successful system of periodic examinations are:

1. Examinations must not be compulsory. The employees will soon ask for them once they understand the objectives and have seen the results.
2. Examinations should be financed by the industry.
3. Employees must be told and convinced that the findings of the examination will have no bearing whatever on their present and future status of employment except when an employee's health demands a change or adjustment, temporary or permanent.
4. Findings of the examinations must be treated as private and confidential, available to top management only.
5. There must be a definite policy regarding the financing of necessary treatment for conditions disclosed by examinations.
6. It is preferable that the examination and treatment be given by the plant medical staff or outside consultants selected by management, or both. However, an individual employee should be permitted to avail himself of the services of his own physician at his written request and at his own expense, provided a copy of the findings is furnished to, and approved by, the plant medical staff.
7. The examinations should be available to all employees regardless of position. In the past some firms offered them to executives only.

Before installing the program, management should give some consideration to other questions, such as: the

effect that the Wagner-Murray-Dingell bill for compulsory health insurance would have on the program, if passed; whether provision shall be made for disability insurance; whether employees shall become eligible for service at the beginning of employment, or after a waiting period.

Because of the expense an efficient

medical service would entail, it should be started gradually, step-by-step. Periodic examinations would seem to represent a logical starting point; subsequent experience will dictate the degree to which medical service should later be expanded.

By W. H. LIPMAN, M.D. *Industrial Relations*, July, 1946, p. 16:3.

Discipline Control Board

AT the Ryan Aeronautical Company five supervisors serve on a discipline control board, which "hears" the cases of employees who break company rules. Employees are brought up before the board only after the second infraction of a rule. The first time a rule is broken, the foreman discusses the matter with the employee in private. Employees receive warnings in the form of a "citation slip" before they are called to appear before the board.

The discipline control board is composed of a permanent chairman and four other supervisors. Each member of the board is asked to serve for six meetings. When his assignment is ended, another supervisor is called in to take his place. Appointments are staggered so that there are always at least two members of the board who have had experience, and never more than two supervisors who are newcomers.

Prior to establishing the discipline control board, the company's rules were reviewed at a conference of its supervisors. In revising rules, supervisors were guided by such principles as:

1. Instruct clearly, so every employee knows what is expected of him.
2. Explain the reasons for required standards of performance and conduct.
3. Do not set up too many rules and regulations.
4. Make certain that the things you expect from your employees are reasonable.

—*Management Information* 7/22/46

Group Management for Small Plants

GROUP management—direction of a small company by a committee of the operating heads of departments—is licking management problems in the plant of American Welding & Mfg. Company, Warren, Ohio.

American Welding's staff committee consists of the heads of sales, sales promotion, engineering, research, personnel, accounting, and operating departments. It meets weekly—or at the drop of a hat—to take up problems put forward by members or by the company's president. Subcommittees composed of junior executives are given regular assignments, report to the top committee with recommendations.

Advantages of this system can be best illustrated in company's handling of inquiries and estimates: In many small plants, a sales manager might contract for work without consultation with operating officers—and step into real trouble. But American Welding's staff committee passes on every new contract. Engineering and manufacturing consider every job's practicality; personnel evaluates manpower requirements; accounting gives advice credit-wise, is forewarned on budgeting; purchasing finds out what it must buy; sales gets advertising ideas.

In addition, the plan is working for the future. It's developing multi-skilled executives who know every facet of the business. And it's making a reality of the too-frequent myth of the "management team."

—*Modern Industry* 8/15/46

• **AT THE WAGNER BAKING CORPORATION**, Newark, N. J., supervisors make a semi-annual check of each other's departments. Visits are about an hour's length. Supervisors then report what changes have been made since the last visit, and suggest other changes that can be made. This mutual exchange of suggestions keeps supervisors "on their toes."

—*Management Information* 8/5/46

Production Management

The Short Assembly Line

By BERTRAND FRANK*

TRADITIONALLY, assembly operations on staple articles have been performed on a long assembly line involving 30, 50 or more work positions, arranged in a continuous sequence. In recent years, however, there has been a definite tendency toward the increased use of the sub-assembly with a view toward shortening the final assembly line. Adaptation of this technique for non-conveyorized light assembly work has shown considerable success in the low-cost production of gloves, shirts, work clothes, house dresses, and underwear. With higher productivity has come a sounder base for good industrial relations because of the consistent emphasis on *teamwork* within the short "feeder" and final assembly-lines. A minimum of three operators and a maximum of 10 have proved to be an adequate rule-of-thumb size for these smaller teams.

The techniques of production in the apparel industry for the products mentioned range from individual work on small portions of the whole job, termed the "bundle" system, through "straight-line" production, to the most successful "unit" system. The straight line is fed by a few sub-assembly lines and operates in much the same way as the non-conveyorized, long assembly line. Thus there may be 30 or 40 positions in a men's shirt line. The unit system breaks the same long line into many *short* lines feeding into a final assembly line, which may have as few as five operators. Each short line or unit ends

at an inspection and inventory position where the work of the team is checked and tallied. A straight group piece rate is paid and faulty work is, in most cases, repaired by the group. Within each unit, the highly developed and closely balanced operations are so arranged that wasted motion is minimized. Each machine is individually driven. Gravity flow chutes and table extensions aid in handling within the unit. Work is moved manually among the short lines.

What advantages does this method have over the *long* lines?

1. Since there are certain natural determining points for each sewing cycle, balance is achieved more easily than in a long line. To break an operation, such as side-seaming a glove, at a point which would give line balance is difficult, if not impossible. The make-ready and put-away become too great. By forming units of operations which have characteristically close cycles, the inherent delay among these three to 10 jobs is minimized. Then, by balancing the necessary amount of duplicate or semi-utility units against each other, plant balance is obtained. In practice, the total idle balancing time in unit setups is less and engineering is made easier than in long assembly-line operations.

2. The installation of duplicate and semi-utility teams enables the operators to advance to a faster unit. It also allows management to group those of the same average effort. Most impor-

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tant, the close cooperation of the small team results in higher productivity than is achieved by a long line. Where shirt lines doing 72 dozen per day are broken, some of the constituent units have produced parts for 100 to 120 dozen per day. While this increase may be attributed in part to correction of the poor balance in the original line, the welding of the *team spirit* into a *group* effort is also responsible for these excellent results. Modern industry develops jobs and equipment to a high degree, but often forgets that an individual must be motivated to produce. The possibilities for *recognition* of superior work and *encouragement* of individual effort are present to a greater degree than in the typical production line, and provide a much stronger incentive than do high wages alone.

3. Small groups of operators form more compact social units than do large production-line groups. The resulting sense of unity makes management of the group more simple. Friendly competition often arises and teams, on the whole, operate at a brisker pace than they would on a long line.

The application of short lines to light assembly industries is limited by the hazards of handling semi-finished work, such as a radio chassis with the loudspeaker installed. The production must be high, for optimum output comes from short cycles, and in this case there are duplicate and semi-utility lines to multiply the output.

Where the job is on a mass-production basis, where sub-assembly technique is possible, and where there are characteristic cycle times, the short-line or unit system is indicated. It is true that under such a plan production control, job development and balance take on new meanings and call for greater

skill. But the resulting unity of effort and *esprit de corps* will be more than worth the expense, for the by-products of the unit system are high productivity, low costs and good morale.

For the sake of contrast, let us consider briefly the typical long-line technique. After a complete elemental time study is made of all operations, the work is so divided that for a given line cycle time, there is a minimum of delay time at the various work positions. Production workers are then brought in, shown the standard method, and the line is brought to the required production by working out the bottlenecks.

There are numerous basic faults in this technique. First, the longer the line, the greater the total delay time and the more difficult the achievement of perfect balance. Second, long lines stifle initiative, retard workers who could produce at better-than-average level. Third, the routine activity and monotony characteristic of the long line vitiate morale and give rise to worker dissatisfaction—with resultant high turnover and absenteeism. These adversely affect the labor group as a whole, the product, and the overhead costs.

In general, production lines are balanced by shifting elements of operations to minimize delay time. Thus, in a simple case, if the second position on an assembly line is "heavy," i. e., involves too much work for smooth flow, the first elements of the job may be shifted to position 1, which might involve "light" work. Often balance is achieved by building up banks of work and shifting operators and occasionally by installing better equipment.

Only some elements of an operation *can* be shifted, however. Some elements of a "heavy" operation cannot be

broken up and shifted to a "light" position on the line. While sequences may be changed, production engineers will more likely tackle the bottlenecks with a view toward eventually getting the whole line at the capacity of the "light" position. Then, theoretically, all positions will be producing at capacity and there will be a balanced relationship among all the jobs. In practice, however, balance is *rarely* achieved. "Made work" for the "light" operations proves expensive. The longer the line, the greater the total lost time, for balance becomes more and more expensive as more and more positions are added. Where 40 or 70 solderers, spot welders, assemblers, etc., are arranged in a line, the odds against each one's being in balance are indeed great.

It might be well to note at this point one simple abuse of the industrial engineering art which involves the balancing of cycles 10 to 20 per cent apart in time, by locating above-average operators at the "heavier" positions. The line then runs at the mean cycle time of all the operator cycles. When a straight group incentive is paid, this is definitely unfair.

Unfair, too, is the limitation placed upon individual effort by a long assembly line. Time studies reflect wide

variation in productivity of individual workers.

A long line will move only at the pace of the *slowest* operator and the productivity of more efficient workers is therefore reduced to the levels achieved by slower workers.

Another consideration is the effect of absenteeism and turnover on the group, the product, and overhead. Unless "fill-in" operators are available or extra banks of parts are set up, absenteeism will play havoc with overhead costs. The "fill-in" operators may be deficient in skill, thus lowering quality, slowing the line, and thereby reducing the earnings of the rest of the group.

How can lines be balanced more easily, idle time minimized, extra effort encouraged, and morale raised?

Some engineers maintain that individual operations joined by informal lines of flow are the answer. While it is true that such a system has morale value, since it is less repetitious than long-line assembly, the disproportionate increase in handling usually reduces, rather than increases, productivity. The answer lies somewhere between the two extremes of long-line production and individual effort. The solution for light industries, within the scope of the limitations outlined, is the short line.

Incentive Boost

LABOR'S traditional hostility toward wage-incentive systems is well known. Many an employer has had rosy visions of raising production by linking pay to output deflated by intransigent union opposition.

Consequently, when one of the most venerable and influential trade union

organs in the country—the national publication of the 600,000-member International Association of Machinists—recently splashed a testimonial to a wage-incentive plan all over its first page, there was considerable interest in how far the ripples might carry.

Headlined "Unique Apex Plan Wins

Peak Production," the machinists' article pointed out that mutual trust and cooperation between management and labor in setting up and running an incentive plan has paid off well for both the Apex Electrical Manufacturing Co. of Cleveland and 1,300 I.A.M. members employed in its plants. Apex was cited as an example and lesson which, I.A.M. said, all persons interested in an answer to labor-management unrest should study.

A similar testimonial came from the president of Apex, who credits good relations built up under the incentive program for:

- (1) Current plant production at 1941 peak levels, or better;
- (2) Productivity per worker which exceeds that of prewar years; and
- (3) One of the highest wage rates in the electrical manufacturing industry.

The Apex program was advocated by the operating vice president in charge of manufacturing, in February, 1944, as one of a series of policy changes designed to clear up conditions which had led to a plant strike. At that time the company invited I.A.M. to consider with it the feasibility of installing an incentive system which would permit workers (whose wages were frozen under wartime stabilization orders) to increase earnings. To counteract expected union opposition, the company offered the I.A.M. an opportunity to share in determining fair production and pay standards.

Apex had standards outlined by a prominent firm of industrial engineering consultants who had pioneered in setting up a labor-management cooperative time study program for the Murray Body Corporation. Then the company:

- (1) Selected, after consultation with the union, six employees, members of I.A.M., to be time-study men;

- (2) Financed their training in an intensive six-month course in time-study subjects at Fenn College, Cleveland; and

- (3) After they had completed training, turned over to them the job of working out and administering operating details of an incentive program.

The company agreed to abide by all decisions and recommendations, and allowed additional protection to union members by requiring that time-study reports on each machine or process must carry the signed approval of the machine operator. In the few cases in which operators have refused to sign, reconsideration has resulted in mutually acceptable decisions.

Basically, the plan in effect at Apex guarantees a minimum earning rate, and pays a bonus for all production in excess of the "norm" for each process. Earnings vary from week to week, but production workers in one recent week averaged \$1.55 an hour. The figure has been considerably higher.

As one result, Apex continued full operations during this year's electrical manufacturing strikes and unrest. It has had no major labor disputes which could not be handled within the routine of its grievance machinery.

Absenteeism has been reduced almost to the vanishing point. Labor turnover is low.

The success of the incentive program has led company officials to inaugurate a number of other policies designed to bring union and management into closer cooperation.

Foremen currently are selected, by agreement, from the union's plant executive committee.

When a strike in a Birmingham (Ala.) supplier plant forced shutdown of the Apex works, the company sent

the chief shop steward of the union to Birmingham to investigate and report to the local on reasons for idleness. The steward went beyond the expected bounds of his mission by aiding in settling the walkout.

When new equipment for the plant cafeteria was requested by the union, the company authorized a union steward to find out what workers wanted, and to buy it.

The union president recently told a meeting of Apex distributors the employees' reaction to the entire program, and gave assurances that no strikes need be feared. "You sell the washing machines, vacuum cleaners, and electric ironers. We'll make them," he assured distributors. "Our union wants to help Apex become the most successful company in the business."

While Apex furnishes a notable example of labor-management cooperation in an incentive program, this company is by no means the only one in which a high degree of collaboration has been achieved.

Growing interest in the question of workers' productivity recently prompted the National Industrial Conference Board to undertake a survey among management and union industrial engineers on whether or not incentive pay plans offer an answer to productivity problems. N.I.C.B. found that a number of programs which are working out most successfully were set up with management and union cooperation, and allow the unions a voice in their actual operation.

Business Week, October 26, 1946, p. 102:4.

Marketing Management

Capitalizing on Customer Complaints

EVERY company receives its share of product and operating complaints, but few like to talk about them—and even fewer capitalize on them. Yet they can be put to work profitably. Alert companies have found that complaints can be converted into very positive factors in their growth—can help build more sales, improve products and service, and contribute to the valuable store of company good will.

First and most obvious step in intelligent complaint handling—but by no means the only one—is the prompt adjustment of complaints to the satisfaction of the customer. This, of course,

is because nothing is so harmful to a company or product as adverse word-of-mouth comment, while the customer who has had trouble with a product, and who has received a quick and favorable adjustment, is the best advertisement in the world.

The speed, the kind, and the extent of adjustments vary with the nature and the unit cost of the product. But the basic principle that sets the tone for all good complaint-handling systems is the conviction that the vast majority of customers honestly think that their particular complaint is justified.

General Foods, merchandising a

product of low unit cost, and anxious to protect advertised standards, adjusts all complaints directly and quickly by multiple replacement (sometimes double the original quantity, often more) of the product, without effort to assess the blame.

In individually typed letters General Foods points out that responsibility for deterioration does not necessarily lie with the company—and then assumes it anyway. Nevertheless, careful records of all complaints are compiled by product; and laboratory tests, grocery-store-shelf checks, or recheck of company cooking recipes are ordered where necessary.

Yet where unit cost is relatively high and performance of the product depends on the care and use it receives, dollars-and-cents or replacement adjustments cannot be made as rapidly. Goodyear Tire & Rubber Co. and B. F. Goodrich Co., most of whose products are in this class, base their adjustments on reports of branch service representatives who examine "failures" and, with the help of charts and pictures, assess responsibility.

Where the product is defective, adjustment is made on the basis of proportion of normal service received. Both the dealer (through whom all complaints are adjusted) and the customer receive copies of final terms direct from the company, and a rigid follow-up system protects the customer from dealer negligence. Both firms have found, incidentally, that the average customer is more interested in quick service than in the exact terms of adjustment.

Testing experts agree that no system of pretesting, no matter how thorough and modern, will show up all the "bugs" in a product. This applies doubly to service and operation, where

the human element is even more important. However, few shortcomings in product or service escape the eagle eye of the complaining consumer. And while a single complaint may not be significant, a concentration of complaints on a single subject is almost certainly so.

Various methods are used to ferret out concentrations. B. F. Goodrich and Goodyear accumulate complaint-form data, furnished by branch service managers and customers, to discover repetitions. International Harvester directs that every complaint passed on from its branches indicate how many similar cases have been encountered.

Sears, Roebuck uses a monthly statistical analysis to show up products in which complaints have been disproportionate to sales, using long experience to pick the point of disproportion. General Foods sends questionnaires to housewives to track down the reasons for recipe failures and product deterioration.

Edison G-E recently was forced to use a substitute material to make the baffle on one of its stoves. It stood up well in testing, but once in the field, complaints from six out of eight branches turned up the fact that it buckled under extreme heat and hard usage. The company replaced the baffle on all models in production, sent replacement baffles to service branches and dealers, and used a new material in all new production. Result: a better stove. In this case the information gained from careful examination of a complaint had to reach all the way back to the plant and even its production lines before it could start paying dividends in terms of an improved product or better service. There are, however, other places where complaint-gleaned information can go to work.

The rayon industry is one that has used complaint information as the basis for the broadest kind of consumer educational campaign. In the early days of rayon, complaints were legion. The industry acted. Product improvement followed product improvement, all to meet the initial complaints, until a product evolved far better than the dreams of the most particular customer.

It's not hard to improve a service setup through the use of complaint facts. As soon as a "bug" is discovered and the remedy prescribed, every dealer and serviceman should be told how to handle similar problems. International Harvester, Goodyear, Goodrich, Hotpoint, Montgomery Ward, and others all use mimeographed or printed service bulletins to carry such information to service personnel.

Production-line workers, too, can profit from this complaint information. If the cause of a complaint traces back to the plant, Goodyear exhibits the product on a board in the production department where the defect originated so that workers won't repeat the error.

There is no secret to good complaint handling. No experts or expensive in-

novations are required. Good common sense and some not-too-common courtesy are probably the best guides. Your answers to the following questions will tell you whether your present organization is geared to turn minuses into pluses:

Are your guarantees specific enough to be understandable to all dealers and customers?

Do you encourage dealers and distributors to pass on product complaints to you?

Do you supply them with forms for easy forwarding of full complaint information?

Do you provide for immediate adjustment or service, and investigate for causes afterwards?

If dealers handle your complaints, do you spot-check with the customer to assure satisfaction?

Are customer complaints about your products channeled to a central point in your organization?

Do you analyze complaint information to determine points of concentration?

Does your company route full complaint information to everyone in the firm who can use it?

Do you examine complaint information for possible product improvements or operating changes?

Are complaints caused by production errors called to the attention of the workers who made them?

Modern Industry, September 15, 1946, p. 50:8.

Salesmen Learn to Make the Product They Sell

AN unusual method of sales education inaugurated in the Automatic Blanket Division of General Electric Company is that of having each salesman make one of the blankets he sells. When a salesman has manufactured an automatic electric blanket, he is given a certificate of membership in the G. E. Automatic Blanket Makers' Guild.

This system acquaints the salesman with the technical details, such as woven channels, cotton warp-wattage, type and length of wire, control calibrations, resistors, etc., so that he has a thorough understanding of the product. The instructors are two girls in the blanket manufacturing division. The salesmen are presented with the blankets they have made when they are given the Guild certificates.

—*Mill & Factory* 10/46

* According to a national survey by *Industrial Marketing*, advertisers are taking a number of steps to maintain the full force of their advertising in the face of rising costs for space and time: 29 per cent have increased budgets; 19 per cent repeat advertisements more often; 11 per cent use smaller space units; 8 per cent make careful appraisals of media to weed out weak circulations; 7 per cent eliminate marginal or fringe books.

Converting Sales Losses into Profits

A LARGE number of practical possibilities for converting losses into profits are available to the manufacturer who keeps a watchful eye on his marketing and production costs. Certain segments of sales, formerly shown to be relatively unprofitable, can be handled at a profit. These can be divided into three groups—unprofitable commodities, unprofitable units of sale, and unprofitable territories.

Unprofitable Commodities. You may be able to write your sales story in black ink if you analyze your line and then simplify it, reducing the number of sizes, styles, qualities, and price lines. Simplification may result not only in reduced storage, investment, and order-filling costs, but also in increased sales, by permitting concentration of advertising, selling, styling, and design on a smaller number of items. Whether or not you decide to simplify, some thought should be given to your investment in advertising. You may need to increase it or decrease it, depending on such factors as the effect of advertising and promotion work on the volume of sales and the effect of sales volume on unit production and distribution costs.

Examine your outlets for unprofitable commodities. Should you change the channels of distribution for these products? It may be found, in some cases, that certain types of distributors do not attract customers for certain products.

Finally, consider the advisability of increasing or decreasing the price. Sometimes, it may actually pay to reduce the price of unprofitable commodities. When consumer demand is so elastic that a small reduction in price leads to a substantial increase in sales, the result may be a greater excess of

dollar gross margin over allocated costs than the net contribution of the commodity at the old price. Where the consumer demand is inelastic, so that an increase in price may lead to only a small reduction in sales, it may be profitable to raise the price.

Unprofitable Units of Sale. Many possibilities exist for minimizing the losses resulting from units of sale that are relatively unprofitable because of their small size.

First, a special routine for handling small orders should be devised to conserve clerical expense. A special handling charge for all orders below a minimum size might be levied, or services on small orders—such as free storage, repairs, etc.—may be limited. Broken-package sales may be minimized by reducing the original package unit, employing package units of several different sizes, or developing special-assortment packages for filling small orders.

Large orders should be encouraged by the use of quantity discounts to customers and bonuses to salesmen who bring in orders above a certain size. By every practical means, customers should constantly be educated to the economies to be derived from ordering in large quantities.

A variety of policies have been adopted by manufacturers to reduce expenses incurred in connection with unprofitable customers. Efforts are made to sell such customers a complete line of goods, rather than permit them to concentrate their buying on "loss leader" items which don't bring in a sufficient return. Where other conditions permit, certain distributors can be urged to handle the seller's products exclusively.

Many companies direct salesmen to call on low-profit customers less frequently, or to solicit their orders by mail or telephone. They also limit or withdraw promotional assistance, such as demonstrators, dealer aids, etc.

Unprofitable Territories. Certain customers or transaction groups, some towns on the salesmen's route, or some other portion of the business in a territory may be found, on examination, to be profitable, despite the fact that the territory as a whole is unprofitable. If the territory as a whole is abandoned it may be decided that some or all of the profitable sales in the territory can be retained, either through a change in operating methods or policies or through adjustment of adjoining salesmen's routes.

If the cost of operating in a given territory exceeds the gross margin it yields, obviously withdrawal is indicated. But if there is some doubt about

the profit possibilities of an area, it should not be abandoned before a rigorous campaign has been waged to increase its revenue and reduce its costs through intensive cultivation of the business of present and prospective profitable customers, increased or decreased advertising, reorganized salesmen's routes, and use of agents, brokers or wholesalers in the area.

But remember that withdrawal from unprofitable territories need not adversely affect the total profits picture. If the relatively unprofitable segments of sales are eliminated, selling effort may become available for a more intensive cultivation of the remaining business, which may result in increased revenue with less-than-proportionate rise in expense, to the enhancement of net profit.

From *Distribution Cost Analysis* (United States Chamber of Commerce), p. 44:8.

Are Cash Discounts Obsolete?

CASH discounts are as obsolete as the pen-posted ledgers, claim many business men, but the greater number still grant some sort of discount for prompt payment. Some companies have as many as 10 different kinds of cash discounts, depending upon the merchandise sold. The following percentile figures on discounts were obtained from a recent survey of leading wholesalers and manufacturers. Note the complicated discount situation prevailing in some companies. While many firms want to eliminate all discounts at present, only 18.3 per cent of those surveyed have no cash discounts.

Net Cash—No Discount	18.3%
1 per cent 10 days—30 days net	10.0
2 per cent 10 days—30 days net	18.3
1½ per cent 10 days—60 days net	1.7
2 per cent 10th following month	8.3
2 per cent 30 days—60 days net	3.3
2 per cent 15 days—30 days net	1.7
2 per cent 15 days—45 days net	1.7
2 per cent 30 days—31 days net	1.7
2 per cent 10 days—60 days net	13.3
5 per cent 10 days—30 days net	1.7
More than one discount, ranging from ½ per cent on certain items to 5 per cent 10 days, 4 per cent 70 days—net 71 days including from two to 10 different discounts	20.0

—American Business 4/46

Financial Management

Inflation and the Money Market

ARE we going to have much more inflation and, if so, when? What will be its effect on interest rates? From the point of view of the trend of interest rates in the post-reconversion period, the important consideration is that we have already had a considerable degree of inflation, which means that prices are likely to hold on the average far enough above the levels of the pre-war years to alter significantly the supply-demand relationships for long- and short-term credit. This is true because the inflation we have already had means that:

1. The proportion of current incomes required to meet cost-of-living expenditures has increased so much as to impair the ability of individuals to save.
2. The effectiveness of wartime savings is reduced materially by the need for larger amounts of purely working funds in bank accounts and for larger amounts of currency for pocket money. Liquid savings have increased since 1939 by roughly \$150 billions. This is an alarmingly high figure, but it has been estimated that as much as \$70 billions of these increased savings might be regarded as necessary to provide till money, pocket currency, required working balances and rainy day reserves at the current higher level of national income.
3. The purchasing power of the savings available for use is, moreover, sharply curtailed by the increased prices of homes, automobiles, and other consumers' durable goods, with the result that more credit will have to be used to finance the same volume of business.
4. The cost of public works projects, of new capacity for industry, of modernization programs and of all capital expenditures will be greatly enlarged, which means the dollar volume of new security issues to finance such expenditures will have to be increased.

5. Many corporations will need larger amounts of funds for essential working balances and for use in carrying inventories and receivables. While corporation cash balances have increased from \$12 billions to a high of about \$25 billions, their ratio to the dollar volume of business being done is not much higher than it was pre-war. Many corporations are finding that, while their cash balances are larger than ever before, they have little or no "free" funds, and they are already arranging for credit accommodation.

Such are the implications, credit-wise, of the present inflation. With these points in mind let us take a broader look at the future economic picture.

It seems safe to predict that the post-reconversion years are likely to be marked by a high average physical level of production; an intensification of competition, with an increase in business risk and in business mortality; possibly a high degree of economic instability; a generally higher average level of prices than in the 30s; and the adoption of anti-inflationary monetary policies by the banking and monetary authorities. If these predictions are reasonably correct, we are likely to experience a material increase in the demand for credit in relation to the volume of funds available for loans and investments, a moderately rising trend of interest rates, and a shift from a buyers' to a sellers' market for money.

The trend of long- and short-term interest rates should be upward, but it is likely that the rise will be slow and moderate because commercial banks no longer pay interest on demand deposits, which anchors the short end of the in-

terest rate curve to a lower level than in the 20s; because the low-interest-rate philosophy is deeply imbedded in our official thinking; because, with our gold stocks as large as they are and the Federal Reserve possessing greatly expanded powers to make that gold effective, the authorities have the power to hold any rise in rates to moderate proportions; and, finally, because the interest cost on the public debt is a powerful argument for moderate rather than spectacular rate changes.

The situation which has been projected should, nevertheless, bring many changes in the relationships between the rates on various types and qualities of credit. During recent years, under the influence of prolonged easy-money conditions, the differential in yields between prime and second-grade credits, both in the bond market and the bank loan market, has been cut to an abnormally narrow spread. This tendency is likely to be reversed in the period ahead; and the market for second-grade bonds would appear particularly vulnerable because of the extremes to which it was carried. Automatic profits on a "cost plus basis," which were so prevalent during the war, are in for a drastic change during the highly competitive conditions in prospect and when the volume of new issues is increasing the discriminating investor will be under much less pressure to compromise quality in the interest of maintaining income. In the mortgage loan market the quoted rates may not rise very much, if at all, but the elimination of fee absorption and of premium payments by the buyer may raise the effective rate, for the pressure to make such payments will be lessened when the volume of new mortgages increases.

But the important point is that at

some time early in the post-reconversion period we should be able accurately to describe the market for credit as a sellers' market. First, because the demand for bank credit is likely to increase to finance export trade at the high level which most observers expect, to supply the funds for a rise to a new all-time high in consumers' credit, to supply the construction loan funds necessary when the building corporations call for additional funds to expand inventories and accounts receivable. Second, the building industry should, once it gets into high gear, produce new mortgages at a rate of several billion dollars per annum, which would mean in all probability that the life insurance companies and the savings banks may well be able to fill all or most of their investment needs from new mortgages. And if that is the case, such institutions are likely to be less interested in competing with the banks for loans at low rates and generous terms, and the buyer of credit will no longer be able to shop around successfully.

The outlook for United States government securities cannot be divorced from the generally changing environment which has been outlined. Because the natural pressures on interest rates will be upward and, for the first time in many years, sizable outlets for investment of funds in other than governmental securities should be available not only to individual but institutional investors, it would be surprising if yields on government securities were not to rise at least moderately.

Furthermore, as time goes by, inflationary pressures are likely to force the abandonment by the Federal Reserve of its informal commitment to buy unlimited amounts of Treasury Certificates in order to hold the rate on them

down, for that action is required if Federal Reserve policies are to be effectively anti-inflationary. It is also likely that the Treasury will wish to correct the present unbalance between long and short maturities by the offering of fairly large amounts of long-term securities. Finally, it is conceivable that official quarters will in time adopt less rigid ideas as to the desirability of an artificially low level of interest rates and as to their powers to maintain such rates in the face of expanding credit demands.

This raises an interesting question

concerning the durability of the sacrosanct $2\frac{1}{2}\%$ rate on long ineligible United States securities. That rate is likely to be maintained for some time, but eventually, under the circumstances outlined above, our monetary and banking authorities may find it neither desirable nor possible to adhere to the $2\frac{1}{2}\%$ coupon rate on long-term Treasury obligations. That rate may not be as invulnerable as some observers would have us believe.

From an address by Murray Shields before the American Life Convention, Chicago, Ill.

Limitations of Employee Stock Ownership

MOST employee stock ownership programs are installed in the hopes that they will benefit workers financially and at the same time increase workers' initiative to raise the profit level of the company in which they become part owners. But employee stock ownership has its drawbacks and the declining mortality rate of such plans indicates that management is becoming aware of them.

In offering stock to employees, management assumes a serious responsibility. In the first place, it cannot escape the implication that sponsorship of such a plan is tantamount to a recommendation of the company's securities as investments. Furthermore, a company's profit position may be impaired in a time of declining stock prices if it becomes necessary to buy back employee holdings at the original purchase price. Employee ownership has proved harmful to company-employee relationships in many companies because of price movements in stock and the element of risk. For a variety of reasons em-

ployee stock ownership may otherwise affect the smooth functioning of the organization. In one company, for example, after the plan had been in operation for a time employees were resigning their jobs in order to secure a refund of their stock purchases.

Why Stock Ownership Plans are Being Discontinued. In view of the high mortality rate of stock ownership plans, especially those covering all employees, and the unfortunate experiences of many companies with such plans in the early 30's, it is doubtful whether stock ownership in the long run accrues to the employees' benefit. Efforts to provide extra compensation by way of stock ownership have been discontinued more readily and to a greater degree than profit-sharing ventures.

Stock ownership plans for wage earners have little prospect of regaining an important place in management's thinking. The disillusionment of wage earners with stock ownership during the depression was bitter and still

rankles. It built a barrier between thousands of employees and their employers and lessened confidence in business leadership. Common stocks, especially the stocks of a single company, are not a suitable investment for persons of small means. The decline in the market value of preferred stock in the depression was so slightly less marked than that of common stocks as to afford no substantially greater measure of security. Among surviving plans covering all employees there is a trend toward limiting participation of wage earners to a small proportion of their earnings in order to forestall the consequences of any noticeable fluctuations in market prices.

Stock Ownership for Executives. Stock ownership for executives gained ground prior to and during World War II, a development that has stimulated thought on the broader subject of executive compensation. Too often the main purpose of these grants has been to defer income taxes, as against salary increases, much of which would go to the government immediately. Critics hold that many of the executives concerned are already adequately compensated, that with the wide diffusion of ownership the approval of stockholders is nominal in some instances, that the stockholders' values are diluted, that executives secure highly valuable options with no assumption of risk, and that they do not shoulder their fair share of the tax burden—a serious shelving of responsibility in wartime.

The granting of a stock option to an executive is no longer a matter of private arrangement between the corporation and the official. Stock option plans or bargain purchases of stock which require employee payments may have to be registered under the Securities Act of 1933. The Securities and

Exchange Act of 1934 also may apply. This act states that a person holding more than 10 per cent of any equity security registered on a national securities exchange or who is a director or officer of the issuer of such security shall notify the Securities and Exchange Commission of his holdings and shall report monthly when changes in his holdings have occurred.

The Bureau of Internal Revenue has ruled that any option granted by an employer to an employee that has an ascertainable value at the time it is granted is a salary payment to the extent to which it is ascertainably beneficial to the employee. If it had no ascertainable value when granted and later the option is exercised or sold, its value will then be determined. Gifts of stock and the dividends derived must be recorded in the tax statement of the recipient in the year of their receipt.

Many companies felt bound to come to the rescue of members of the managerial group when the bottom dropped out of the market. In other instances, stock losses incurred by executives prompted them to seek compensating salary increases, and as a consequence some companies gave unwarranted increases in salary. A sharp decline in the value of his stocks at the time of an executive's retirement is especially embarrassing to him and also to his management. Fluctuating returns from annual stock bonuses and the higher taxes in good years are likely to leave the participant with a lower net average annual income than he would have enjoyed if the same amount had been given in the form of regular salary increases.

There may be circumstances in which stock bonuses or options may be justified. It can be argued with force that executives who can transform a

sick business into a thriving enterprise are entitled to share in the values they create. But such rewards are difficult of justification in well established, profit-making corporations. Moreover, the regular shareholders, insofar as they are articulate, who remember the expenditures incurred by their own or

other companies in relieving employees of their stocks during the last depression, are not likely to favor new plans of a similar nature.

From *Profit Sharing and Stock Ownership for Wage Earners and Executives* (Industrial Relations Counselors, Inc., New York), p. 76:4.

Insurance

Loss Ratios and Expenses in A. & H. Insurance

OF interest to insurance executives is the second Blanchard report* detailing recent experience of a large group of accident and health insurance carriers by ratios covering losses, expenses, and acquisition costs. Specifically, the report is broken down into three parts: The first includes a comparison of two sets of loss ratios—those based on losses incurred to premiums earned, compared with ratios of losses paid to premiums written. The second analyzes the ratio of expenses incurred to premiums written. The third deals with acquisition costs as a percentage of premiums written and of total expenses incurred. The studies were made by Professor Ralph H. Blanchard of the business school of Columbia University. Mr. Blanchard's first report, published in December, 1945, covered premiums and loss ratios on an incurred to earned basis.

In his analysis of loss ratios, Mr. Blanchard makes a comparison of the incurred to earned and paid to written

premiums. Earned premiums for a given period are those intended to cover the losses resulting from events which occurred during that period; incurred losses are the entire losses arising out of those events. These figures taken together give a true indication of the proportion of premiums devoted to the payment of losses, if each is taken after all policy terms to which they apply have expired and after all claims have been closed and paid in full.

Neither of these conditions, however, is fulfilled by figures for earned premiums and incurred losses taken immediately or shortly after the end of a calendar year, or period of years, the report states. Earned premiums are not calculated precisely, but by approximate formulas; incurred losses likewise are based in part on estimates of the losses which will eventually be paid on account of the events occurring during a given calendar period. Incurred-earned ratios, however, probably give considerably more accurate indications of the proportions of premiums devoted to the payment of losses than do paid-written ratios, the report points out.

* *Survey of Accident and Health Insurance: Bulletins Nos. 4, 5, and 6.* Bureau Memorandum No. 62, Bureau of Research and Statistics, Social Security Administration, Federal Security Agency, Washington, D. C., 1946.

Since the period for which written premiums or paid losses are taken is longer than one year (as for example, in the Blanchard report, which covers five years), paid losses and written premiums more nearly apply to the same policy terms than the same insured events, but there are still some loss payments on account of preceding years, and some prepayments of premiums on account of succeeding years.

If the business proceeds with a fairly steady volume of premiums from year to year, the overlappings at the beginning and end of the year—or period of years—more or less balance each other; but if the premium volume is increasing, as was markedly the case between 1938 and 1942, the premiums for the period are exaggerated and the losses under-valued.

If the premium volume is decreasing, the situation is reversed. Thus, while the comparison of paid losses with written premiums may be useful, it is usually not an accurate indication of the proportion of premiums devoted to the payment of losses that the premiums were intended to cover.

The Blanchard report gives loss ratios by groups of carriers and classes of business calculated on both bases using the experience of 215 companies. It compares results and gives differences both in algebraic value and as a percentage of the incurred-earned ratio. The differences show wide variations from one class of business to another and among groups for each class of business. In general, the paid-written ratios are lower than the incurred-earned ratios, as is to be expected in a period of rising volume. For all classes and all companies, the paid-written ratio is 52 per cent; the incurred-earned, 55 per cent—a difference of 6 per cent of the incurred-earned ratio. By classes, the paid-

written and incurred-earned ratios are closest for weekly premium business, both being approximately 40 per cent. They are farthest apart for group insurance, with ratios of 62 per cent and 75 per cent, a difference of 18 per cent.

Within each class there is a wide variation among groups of companies considered in accordance with the size of their incurred-earned loss ratios.

The survey divides companies into four groups. Each group comprises companies having 25 per cent of earned premium for each class of business and each group having an ascending loss ratio.

Expense Ratios. For the expense ratio survey, 157 companies furnished figures for the ratio of incurred expenses to written premiums. The overall ratio for these companies for the period 1938-1942 was 36 per cent.

Experience of companies was divided in accordance with the size of their expense ratios, both over-all and for each class of business. Ratios were then calculated by expense-ratio groups, each having 25 per cent of the total written premiums.

Twenty-seven companies in the group having the lowest expense ratios had a combined expense ratio of 22 per cent; 22 in the next group, 23 per cent; 26 in the third group, 39 per cent; and in the group having the highest ratio, 50 per cent. The expense ratios by class of business ranged from 15 per cent for the group business of seven companies to 64 per cent for the limited business of six companies and for the monthly-premium business of 11.

The report notes that non-cancellable ratios have little value in themselves or for comparison purposes, since many companies which have such business on the books have long since discontinued writing new business and are taking

heavy losses. Also, the probability of loss in this class increases with age, and loss ratios for a short period—especially if premium volume is increasing—do not conform to long-term results. Further, contracts called “non-cancellable” vary greatly in their terms.

Acquisition Expenses. Ratios of incurred acquisition expenses (including advertising, office expenses, etc., as well as commissions) to written premium and total incurred expenses have been calculated from figures furnished by 142 accident and health companies. These ratios for all classes of business combined for the period 1938-42 were as follows: Incurred acquisition expenses to written premiums, 23 per cent; and to total incurred expenses, 62 per cent. By class of business, the ratio to premiums varied from 9 per cent for group to 37 per cent for limited business; the ratio to total expenses varied from 46 per cent for weekly premium to 74 per cent for limited.

These ratios also have been broken down into four groups of 25 per cent each, based on written premiums.

Ratios both to premiums and total expenses were calculated for these groups, and 27 companies fell in a group with the lowest combined ratio to premiums, averaging 9 per cent of premiums and 34 of total incurred expenses. In the next group, 23 companies averaged 20 and 61 per cent; 33 in the third group averaged 26 and 68 per cent; and 59 in the highest group averaged 36 and 75 per cent.

While percentages for the two ratios increased together from group to group, it was pointed out, there is no fixed relation between them, nor do the ratios to total expenses increase in all cases with the ratios to premium.

Ratios of acquisition expenses to premiums by class of business range from 15 per cent for the weekly premium business in three companies to 89 per cent for limited business in 14 companies. Ratios by class of company and class of business show wide variations—reflecting the extreme diversity of methods of operation, contracts, clientele, and premium volume.

The National Underwriter, November 7, 1946, p. 32:3.

New York's New Second-Injury Fund

THE new Second Injury Law, which has been adopted by New York, and which may be extended elsewhere, provides a forward-looking program for the physically handicapped. In a recent address before the Insurance Law Section of the State Bar Association at Syracuse, Henry D. Sawyer, general manager, Compensation Insurance Rating Board of New York, summarized the two most important principles embodied in the legislation: “First, that the injured worker who had a previous physical impairment shall be paid full compensation to which he would be entitled for the resultant permanent disability; and, second, that the employer shall be liable only for the compensation for which he would have been liable if the injured worker had not had a previous physical impairment.”

The difference between the amount for which the employer is liable and the amount which the worker is to be paid is reimbursed to the employer or his carrier out of the newly-established Special Disability Fund. This fund has been created through assessments on employers or carriers in death cases where no beneficiary existed.

—*The Eastern Underwriter* 10/18/46

Adjusting Coverage to Current Replacement Costs

ONE of the chief problems insurance buyers face today is that of maintaining coverage which will adequately reimburse for present inflated replacement costs. In this connection the buyer's particular interests are centered about what the standard fire policy designates as *actual cash value*. While this term is frequently misused, it is generally accepted that actual cash value is represented by cost of reproduction, less reasonable depreciation.

Cost of reproduction to the ordinary layman undoubtedly means the cost of replacing a destroyed unit, taking into consideration all elements entering into that cost. Under present conditions there is the tendency to include such items as overtime and bonuses for labor as well as premiums for material. However, under standard fire insurance policy, and without *supplemental* inclusion, such factors are *not* usually recognized and the reproduction cost, therefore, becomes a cost of reproduction under current normal market prices with normal labor requirements at current labor rates and present labor efficiency.

Thus an appraisal, if it is to meet the fullest requirement for insurance placement as well as adequately to fulfill its expected use in the event of loss or damage should consist of, first, an accurate comprehensive quantitative and descriptive inventory of the assets; second, prices provably established in accordance with market conditions prevailing as of the date of the appraisal; and, third, depreciation scientifically determined in accordance with condition and property facts as of the date of inspection. Assuming that a record conforming to these specifications is

available, the next question is: Is the insured adequately protected for a loss that may occur sometime in the future? The answer would ordinarily be "no," as it is more than likely that between the date of the appraisal and a subsequent fire loss there have been changes in the property and prices, or both, and in its physical condition.

Fixed assets, as known to the accountant, are not fixed from the standpoint of insurance coverage or collection. Constant vigilance is necessary, therefore, to assure the proper measure of protection as these changes occur. This is particularly true when a percentage co-insurance clause is involved, but also applies where there is no co-insurance clause.

In cases where an appraisal was made as of a prior date, but without the continuous property and valuation control to a subsequent date, the advisability of bringing these old appraisals up to date by percentage variation is sometimes pointed out. This can be undertaken if it is done by the same organization that made the basic appraisal and with those detailed records disclosing the actual property, together with the knowledge of the basic elements involved in the original pricing. In the absence of reinspection the results must be confined to the property included at the appraisal date without respect to property additions, deductions, or transfers or the influence of time and change on the property, though a result thus arrived at would not adequately represent the property actually in existence and its provable value.

Under present complex conditions, with wage dislocations, price instability

and materials shortages, we have fallen heir to many abnormalities that are reflected in today's cost of property replacement.

How are these abnormalities viewed by insurance carriers and adjusters, as related to the fire insurance contract and the discharge of their obligations thereunder in event of loss or damage? As mentioned earlier, the present-day costs of reproduction that are attributable to overtime, bonuses or premiums for either materials or labor are not a consideration for insurance placement or co-insurance compliance, and are not necessarily assumed under the basic standard fire policy in loss settlements. They may be assumed in full or in part in instances of more minor damage. In our practice as appraisers, we specify that no recognition is extended to these factors in establishing our costs of reproduction as they are indeterminate in advance of actual reconstructions or repair and do not conform to the provability applicable to the factors otherwise employed in the determination of reproduction cost.

This position has been amply confirmed by the insurance industry and adjustment bureaus generally. If buyers are interested in higher limits of coverage than would be arrived at on that basis—to reimburse for the abnormal and unpredictable contingencies prevailing today—it would be desirable to consider other supplemental forms of insurance. If your risk would be acceptable and you prefer to recover through insurance the depreciation that would be taken in adjusting a loss under the basic fire policy, this could be assumed under depreciation insurance. This supplemental coverage on your particular property makes up the difference between collectibility under the basic fire insurance and cost of re-

production new, in kind, on the same or other site, providing actual reconstruction is undertaken.

A recent revision in this form of insurance as offered by Lloyds of London is of interest. This particular coverage, as previously offered, indemnified for the difference between collectibility under the basic insurance policy and cost of reproduction new. Because of a decided increase in co-insurance participation on the part of policyholders as a result of failure to increase their basic fire insurance coverage to meet present values under co-insurance, Lloyds either by experience or in anticipation have amended the contract so that it will not operate as co-insurance deficiency protection in reimbursing for the difference between collectibility under the basic fire insurance and cost of reproduction new.

There has more recently been developed a supplemental coverage known as repair-and-replace insurance issued by both Stock and Mutual companies as an endorsement on the basic fire policy. This reimburses to the extent of actual cost expenditure in reconstruction, providing reconstruction is actually undertaken. The specification as to *actual cash expenditure* would appear to be all-inclusive and provide for any unforeseen cost—including bonuses, premiums and overtime. In addition to these coverages there is business interruption insurance (U and O), which reimburses for excess costs of replacement or reconstruction where such expenditures would tend to reduce the period for the return to operations and consequently reduce the claim otherwise collectible under this insurance.

From an address by George Colburn before the Mid-West Insurance Buyers' Association, Chicago.

Survey of Books for Executives

PRINCIPLES OF BUSINESS ORGANIZATION. By William R. Spriegel and Ernest C. Davies. Prentice-Hall, Inc., New York, 1946. 564 pages. \$6.35.

*Reviewed by A. C. Michaelis**

An outstanding contribution to the field of management literature, this book is written in an interesting style and does not bog down with managerial theories expressed in a ponderous manner. Instead, it is filled with sound economic, management, and accounting truisms which have been put to firing-line tests and proved their practicability.

Containing 34 chapters, divided into nine parts, the book opens with a discussion of business as a social, as well as an economic, relationship. "The fundamental unit in most business activities is the individual, acting not in isolation but as a member of a group." Most of this section may be considered introductory material given largely to a description of functions and activities which are elaborated upon in later chapters.

Part II presents a thorough treatment of the various types of ownership in business. Business organization terms are defined, and a unique chart is used to illustrate the relative importance of administration and management at various executive levels. The personality factor of an organization's personnel is related to the actual charting of the organization. In this as well as in other parts of the book the human element of an organization is closely tied into its mechanical structure.

The promotion and operation of an enterprise are covered in Part III. Business is discussed as a science, and some of the very real problems of finance, production, sales, and personnel are related to the early operation of the enterprise. Scientific management is defined as "both a process and a body of knowledge."

Part IV touches upon the financial considerations in modern business. Money as a medium of exchange, the functions of banks, and the role of insurance and credit instruments are discussed briefly. Though all the material in Part IV is covered in greater detail in money and banking and economics books, both the informed and the

uninformed readers will find it interesting as well as understandable. Dr. Spriegel writes, "The character of the management of a business is of prime importance regardless of the financial soundness revealed by the balance sheets and the profit and loss statements."

The chapters on accounting in Part V were written by Professor Davies. The discussion covers fundamental accounting concepts and instruments, the balance sheet, profit and loss statements, and principles of cost accounting. This part of the book also includes an excellent chapter on office management in which the office manager's function is given the status it deserves. Part V covers some difficult material in a brief, yet satisfactory, manner.

Manufacturing functions, including production control, inspection, scheduling, and time and motion study are discussed in Part VI. The author aptly observes, "Man's culture is closely related to his productivity." The place of the purchasing department in the organization receives excellent treatment. The chapter on purchasing provides fine review material for any organization whose purchasing department is experiencing "growing pains."

Part VII covers the marketing function, including a discussion of the determination of selling price, sales management, advertising, and retailing organization. The chapter on advertising develops the philosophies underlying the need for advertising and relates these philosophies to economic considerations.

Part VIII is devoted to the humanics of organization, namely, the personnel functions. The author advocates the discontinuance of the term "welfare activities" and advocates the use of the term "service activities" in its stead. Members of top management will enjoy Dr. Spriegel's excellent treatment of personnel philosophies. "Wages are not the most important motivating forces," according to the author. Employees are more concerned with fair and equitable treatment, recognition as individuals, etc., than they are with wages. The author writes, "A common error of a practical operator who has paid little attention to psychological matters is to overemphasize the importance of wages." In the chapter on morale, Dr. Spriegel analyzes the develop-

* Assistant Cashier, Federal Reserve Bank of Dallas.

ment of *esprit de corps* at all strata of the organization.

Part IX contains such miscellaneous chapters as Business Forecasting, Governmental Controls, and Management as a Coordinating Force. The chapter covering management as a coordinating force is well written and may be classified as a "must be read" chapter of the book.

In many instances Dr. Spriegel supplements his management theories by citing illustrations taken from actual business experiences. These examples liven the managerial theories and stimulate the reader's interests in their adaptability to particular problems.

Principles of Business Organization will meet the demands of students and teachers of management, as well as those of business men. To the student of management, it may well become his basic text on the subject of business organization principles and will serve as a valuable reference source on management theories. The teacher of management subjects will find the book adaptable for its presentation of facts, as well as for its chapter arrangement. Of particular help to the instructor is the list of questions pertaining to each chapter and the extensive bibliography appearing at the end of the book. To the business man, whether he be a returning GI beginning a small business or a top-ranking executive of a large corporation, the book will serve as a practical guide to sound business philosophies. To the returning veteran, it will outline management thinking essential to the successful operation of his business; to the top-ranking executive, it will serve as a check-list, helping him to determine whether his managerial thinking is keeping pace with the fast-changing field of scientific business administration.

LABOR AND THE LAW. By Charles O. Gregory. W. W. Norton and Company, Inc., New York, 1946. 467 pages. \$5.00.

*Reviewed by Russell L. Greenman**

Professor Gregory seems to think labor relations in this country are indeed in a parlous state. Everybody has muffed the ball. That goes for management, union leaders, federal administrative agencies, Congress, and the courts. None escapes his criticism.

As to some of the causes of labor discord and strife, Professor Gregory doubt-

less has inside information. He was there himself. As former Solicitor for the United States Labor Department and Acting Secretary of Labor during the period of prolific New Deal legislation, as public member of War Labor Board panels, and subsequently as a professional arbitrator, he knows whereof he speaks. The picture he portrays of labor relations in the United States and of recent developments in government regulation in this field is essentially a gloomy one. But the author has a real sense of perspective and is by no means a defeatist. His scholarly treatment of trends in government regulation of both management and labor provides indispensable background material for all those who must cope with present-day labor problems.

This book does not purport to be an encyclopedia covering all phases of personnel and labor relations; it is confined primarily to governmental action in this field. The text is long on diagnosis and short on constructive remedies for the ills which are so graphically depicted. Some of the author's sharpest criticism is directed at the most recent decisions in labor cases of the United States Supreme Court itself. "It seems almost unnecessary to observe," Professor Gregory declares, "that the Supreme Court has done the labor unions a real disservice in vesting them with the worst curse of modern times—too much economic power over others. Congress will be compounding that curse if it does not provide appropriate controls over that power. Unless something is done, it seems too plain for argument that the grapes of wrath will ferment until the whole keg blows up."

But Professor Gregory minces no words in discussing the attitudes and actions of all others involved in current labor disputes. He says, "Our public leaders are still floundering in a sea of inconsistencies, uncertain of their next turn, while the participants of the struggle are still engaged in almost primitive forms of trial by combat."

Lest anyone might think either that there is a political tinge to the book, or that the recent national election results have changed the outlook for governmental regulation, it might be pointed out that Professor Gregory regards the Norris-La Guardia Act, passed in 1932 under the Hoover administration with strong Republican backing, as perhaps the most potent of all legislative devices for strengthening labor's hand in its dealings with management.

In the light of impending moves for the enactment of corrective labor legislation, every personnel executive who feels inclined to support or oppose any particular measure should profit greatly by a thorough examination of this book. It does not necessarily

* Director of Personnel Relations, General Cable Corporation, New York, N. Y.

follow that Professor Gregory's proposals will have or should have ready acceptance. The closest he comes to suggesting a legislative panacea is a return to the NRA concept of codes of fair labor practices. Management and labor would bargain out such codes with the assistance of government. But, as he is frank to admit, the final decision would lie in the hands of government.

Those who have been long enough in the labor relations field to remember NRA developments may recall the sage advice of Donald R. Richberg at a time when he himself was a potent figure in government circles. Back in 1934, Mr. Richberg said: "In truth, those who believe devoutly in freedom of contracts, collective bargaining, and fair competition, should hesitate long before devising legislative controls of their affairs. They may find too late that they have put their own necks in a noose that will strangle them."

THE PROCESS OF PERSUASION. By Clyde R. Miller. Crown Publishers, New York, 1946. 234 pages. \$2.00.

PEOPLES SPEAKING TO PEOPLES. By Llewellyn White and Robert D. Leigh. The University of Chicago Press, Chicago, 1946. 122 pages. \$2.00.

Reviewed by Edward K. Moss

Words, ideas, messages, and symbols—whether used in conversation, correspondence, advertising, the press, speeches, selling, or any form of human contact—are the links between peoples, business organizations, and political institutions throughout the world. The first of these two books deals with the selection of the basic material itself and the second with its distribution.

Since the merchants of today are, by the very nature of things, merchants of words, messages, and ideas of their own community and nation as well as of tangible products, business men will find these volumes helpful in creating an understanding of themselves, their activities, their products, their aims and objectives. And what is more important in an age of atomic power than adequate and effective communication conducive to understanding—both political and commercial?

In *The Process of Persuasion*, Clyde R. Miller, a founder of the Institute for Propaganda Analysis and Associate Professor of Education, Teachers College, Columbia Uni-

versity, explains with utmost simplicity the devices used by individuals and organizations to sway private and public opinion. Students of propaganda may not find this book revealing—for it is a primer—but they will find it interesting because of the illuminating anecdotes and examples the author uses to illustrate basic tenets of the process of persuasion as it is practiced all around us today. To the layman who would familiarize himself with the reasons why certain words and phrases and symbols can be used to evoke favorable reactions and why others arouse only resistance no matter how logically and forcefully expressed, this volume is an excellent exposition of fundamentals.

Peoples Speaking to Peoples is a report on the possibilities and problems of mass communication throughout the world. It was prepared by the Commission on Freedom of the Press of the University of Chicago, operating on a grant from Time, Inc., and composed of business men, educators, and a staff of which the authors are director and assistant director. It includes a brief history of existing organizations for communication—press associations, government information organizations, motion picture distribution agencies, telegraph and radio companies, etc., evaluation of their performance in relation to total communication necessary, and a series of proposals incident to more effective and widespread communication.

As the report states, the urgency for a wider and freer exchange of information across national boundaries all over the world is matched by new, amazing opportunities for the creation of a world-wide network of communications requiring the full cooperation of national governments, the United Nations, and private enterprise to insure constructive action to link mankind harmoniously.

Both books are highly practical in their approach to the problems—though there may be disagreement on some of the conclusions in the latter. They are packed with facts and figures, hard business sense, and straight, down-to-earth methods to open the way toward a fuller understanding between the peoples of the world. They are both concerned with subjects which cannot be overlooked by management that realizes private enterprise can make no greater progress than that permitted by the environment in which it operates. And both volumes are replete with suggestions for individual action that can be initiated immediately in our daily lives as business men or citizens.

COLLECTIVE BARGAINING. By Leonard J. Smith. Prentice-Hall, Inc., New York, 1946. 468 pages. \$5.00.

*Reviewed by Charles J. Hodge**

This book is a milepost on the road to industrial peace through genuine collective bargaining. A seasoned labor relations man and educator, Mr. Smith has compiled a practical manual which should be welcomed by experienced and inexperienced negotiators on both sides. The author's statement in the preface that "the book was written from an impartial viewpoint, with the thought of providing a source of information on the entire subject of collective bargaining" is amply confirmed by the text.

In reading this work and applying the author's suggestions, management's representatives should keep in mind the "facts of

life" which precede and continue after contract negotiations. In most companies the union has not completed its organizational work, and frequently it has, during the initial organizing stage, made excessive promises to employees which it is now constrained to fulfill. The result, in some cases, is that the union finds it necessary to foster distrust between management and employees, to create confusion and doubt in the minds of the rank and file, so that the latter will continue to feel the need for representation and collective effort.

Mr. Smith's discerning comments on the weaknesses of negotiators should give representatives of both sides a new insight into their particular failings. If, prior to negotiations, management and labor negotiators would but read this book thoroughly and take to heart the lessons it holds, the average labor-management conference would proceed much more smoothly than it does today.

* Manager, Industrial and Public Relations, Dictaphone Corporation, Bridgeport, Conn.

Briefer Book Notes

[Please order books directly from publishers]

GENERAL

FOR THIS WE FOUGHT. By Stuart Chase. The Twentieth Century Fund, New York, 1946. 123 pages. \$1.00. In this, the final title in a series of six exploratory reports on postwar questions, Stuart Chase considers the aftermath of war. He examines the goals which, according to opinion surveys, Americans want for their country, emphasizes our abundant power to produce, and gives his ideas on how we should organize to establish prosperity and preserve peace in the Atomic Age.

DEMOCRATIC CAPITALISM. By David W. Raudenbush. The John Day Company, New York, 1946. 338 pages. \$3.50. Warmly acclaimed by the author of *The Managerial Revolution*, Mr. Raudenbush's book is an attempt to remake the free enterprise system—which the author feels must give way to managerialism unless it can discover within itself "modes of thought and action which can do better the work of the age." However, the "democratic capitalism" advocated by the author is not capitalism as we know it, and his revolutionary proposals are likely to gain but little popular support.

CANADIAN TRADE INDEX: *Annual Issue of 1946*. Canadian Manufacturers' Association, Inc., 67 Yonge Street, Toronto 1, Canada, 1946. 921 pages. \$6.00. This authoritative reference work on what is made in Canada and who makes it is national in scope—both members of the Canadian Manufacturers' Association and non-member manufacturing firms being listed. It includes an alphabetical list of approximately 9,000 manufacturing firms with addresses, branches, brands and trade names, cable addresses and foreign representatives, and a classified list of thousands of industrial products with the names of firms manufacturing them. Also featured is a Special Export Section giving basic information regarding government services, foreign trade controls, methods, financing, price quotations, British Empire tariff preferences, and a list of overseas supply missions located in Canada and the United States. Includes a French Index of Products.

MAY WE QUOTE YOU? Standard Oil Company of New Jersey, 30 Rockefeller Plaza, New York 20, N. Y., 1946. 8 pages. Gratis. Based on suggestions received from professional newspaper and radio men, this primer on press and radio relations contains helpful pointers for all who come into any contact with reporters.

LABOR RELATIONS AND PERSONNEL MANAGEMENT

HUMAN FACTORS IN MANAGEMENT. Edited by Schuyler Dean Hoslett. Park College Press, Parkville, Mo., 1946. 322 pages. \$4.00. No personnel executive who desires to improve in the fine art of human relations can afford to miss this book. Here under one cover are the results of some of the best thinking and research on such vital problems as: psychological and social factors in employee morale; the nature of employee satisfactions; the training of leaders; the interaction of leaders and followers; the counseling technique as a method of facilitating interpersonal adjustments; role-playing in supervisory training. Carefully selected and integrated, the contributions include the work of such authorities as Tead, Roethlisberger, Barnard, Allport, Dickson, McMurtry, McGregor, and Kornhauser.

INFORMATION MANUALS FOR EMPLOYEES. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York. 48 pages. Gratis. This report, which includes brief excerpts from various company publications, is based on an analysis of 132 manuals of 119 companies in the United States and Canada. An important feature is a section devoted to the essential contents of an information manual—specifically indicating how the material may be organized and the handbook introduced, giving suggestions on its table of contents and index, etc. This section also features a list of contents of 130 information handbooks.

EMPLOYER-EMPLOYEE RELATIONS. By Wayne L. McNaughton. Golden State Publishers, Westwood Village, Los Angeles, Calif., 1946. Second edition. 351 pages. \$4.75, cloth; \$3.90, paper. The title of this college text is somewhat misleading, since the subject matter is mainly labor relations *law* and the author gives no attention to the non-legal aspects of employer-employee relations. However, the book should help business executives, labor leaders, and others not expert in labor legislation to extend their grasp of the subject.

TEACHING WITH FILMS. By George H. Fern and Eldon Robbins. The Bruce Publishing Co., Milwaukee, Wisc., 1946. 146 pages. \$1.75. Outlines practical techniques for using films as teaching aids to the greatest possible advantage. Explains why instructional films should be used, describes how to make your own teaching films, defines a good teaching film, and shows how to obtain best results from this important teaching device. Recommended reading for industrial training directors.

JOBS IN INDUSTRIAL RELATIONS: *A Description of Some of the Principal Jobs in Labor and Management.* Release No. 2, Industrial Relations Center, University of Minnesota, Minneapolis, Minn., 1946. 42 pages. Gratis. These descriptions of some of the principal industrial relations jobs in both business and labor organizations will permit more effective vocational guidance than heretofore has been possible. It will assist faculties of educational institutions in developing curricular arrangements appropriate to the educational needs of persons who are to fill industrial relations positions.

PERSONNEL CLASSIFICATION TESTS. War Department Technical Manual TM 12-260, War Department, Washington, D. C., April, 1946 (U. S. Government Printing Office, Washington, D. C.). 90 pages. This manual provides information about the development, interpretation, and correct use of Army personnel classification tests and results. Of particular interest to industrial personnel executives will be Chapters 3, 4, and 5: "How Army Constructs Tests"; "Administration and Scoring of Tests"; "Meaning and Interpretation of Test Scores."

HEALTH AND EFFICIENCY OF WORKERS AS AFFECTED BY LONG HOURS AND NIGHT WORK: *Experience of World War II.* Division of Industrial Relations, Women in Industry and Minimum Wage, New York State Department of Labor, Albany, N. Y., 1946. 19 pages. Gratis. A supplement to the Department's earlier report, *Hours of Work in Relation to Health and Efficiency*, published in 1941, this study brings up to date available data based on scientifically controlled observations of the effects on employees' health and efficiency of varying hours of work.

CLASSIFIED PROVISIONS OF 40 COLLECTIVE BARGAINING AGREEMENTS FOR WAGE EARNERS IN THE IRON AND STEEL INDUSTRY. American Iron and Steel Institute, New York, N. Y., 1946. 737 pages. (Distribution limited.) Presents in classified form the provisions of 40 current collective bargaining contracts for wage-earning employees in the iron and steel industry as negotiated subsequent to the Steel Wage Case of 1944 between the United Steel Workers of America, CIO, and the respective iron and steel company managements. Various related provisions found in these 40 agreements are listed under appropriate headings and sub-headings for ready comparison.

INDUSTRIAL FEEDING FACILITIES. Available from Food Distribution Programs Branch, Industrial Feeding Division, U. S. Department of Agriculture, Washington 25, D. C. Gratis. This manual on the selection, layout, and construction of in-plant feeding services contains helpful charts, standard layouts, and equipment lists.

TESTING APPLICANTS FOR EMPLOYMENT. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1946. 37 pages. Gratis. This report is designed to furnish some general background information on the use of employment tests. It is based primarily on a field survey of employment practices of a number of representative companies, supplemented by a review of published material and interviews with recognized authorities who have been responsible for the development of testing programs.

MANUAL OF INDUSTRIAL RELATIONS. National Foremen's Institute, Inc., Deep River, Conn., 1946. 185 pages. \$7.50. This manual for supervisors and executives covers such topics as employee morale, grievances, wages, training, labor relations, labor legislation, supervisory unionization, compulsory arbitration, and the foreman's responsibility in effectuating company plans and policies.

THE INDEX OF TRAINING FILMS. Eastman Kodak Company, Rochester 4, N. Y., 1946. 104 pages. Gratis. This guide to motion pictures and slidefilms for industrial training use catalogues material on such varied subjects as electronics, engineering, machine shop processes, industrial relations, welding, and office practice. Also lists names and addresses of distributors throughout the country.

OFFICE MANAGEMENT

CORRESPONDENCE MANUAL AND TRANSCRIBERS' HANDBOOK. Edited by L. L. Lewis. The Dartnell Corporation, Chicago 40, Ill., 1946. Fourth edition. 209 pages (spiral-bound, tab-indexed). \$5.00. A comprehensive, conveniently arranged manual of good letter-writing practice, which should prove a helpful working tool for secretaries and company correspondents.

ADMINISTRATIVE PRACTICES. Office Management Association, 2 Caxton St., Westminster, London, S.W.1, England, 1946. 23 pages. 2s. 6d. This report of the results of a questionnaire survey of British commercial organizations made by the Office Management Association covers 101 employers with a total of 368,567 workers. The findings reflect company policy on such subjects as vacations, methods of salary payment, sick pay, pension plans, rest pauses, timekeeping, smoking during work hours, music at work, suggestion systems, five-day week, employment tests.

FINANCIAL MANAGEMENT

CONTEMPORARY ACCOUNTING: A Refresher Course for Public Accountants. Edited by Thomas W. Leland. American Institute of Accountants, New York 17, N. Y., 1945. \$10.00. This symposium of the views and opinions of 38 different authorities will be of interest and value not only to public accountants but to executive accountants and financial officers of commercial and industrial organizations. Major sections (for which tab index guides are provided) are devoted to accounting principles, auditing procedure, accounting systems, federal taxation, and government relations with business. An excellent bibliography is included.

MARKETING AND ADVERTISING

HELPING DEALERS TO MODERNIZE. *Report No. 540*, The Dartnell Corporation, Chicago 40, Ill. 59 pages. \$5.00. This Dartnell report summarizes the activities of a group of manufacturers sponsoring programs of dealer helps in store modernization and relates their experience with the particular types of promotions which have proved most popular.

MARKETING IN THE WEST. Edited by Nathanael H. Engle. The Ronald Press Company, New York, 1946. 263 pages. \$3.50. This is the third of a series of studies, sponsored by the Pacific Advertising Association, on fundamental economic conditions in the West. Twenty-three experts in various fields of distribution contribute information about prominent industries in western states and forecasts of their marketing potentialities.

GETTING THE RIGHT START IN DIRECT ADVERTISING. By Harrie A. Bell. Graphic Books, Inc., New York, 1946. 161 pages. \$4.00. A practical, well-arranged guide for beginners in every phase of direct advertising. General and specific pointers serve equally well for neophytes in general advertising. Advice is clear-cut, easy to read.

PRODUCTION

MATERIALS HANDLING MANUAL: *Navy Handbook on Packing and Materials Handling.* Bureau of Supplies and Accounts, Navy Department, Washington, D. C., 1945-46. 271 pages. This encyclopedic handbook is concerned with all phases of materials handling operations which are vital to the speedy, efficient, and safe handling and physical transfer of supplies and equipment. Includes illustrated sections on the nomenclature of materials handling equipment, maintenance, safety, storage methods, unit loads and patterns in carloading, and outlines for training workers in materials handling operations.

SURPLUS PROPERTY: *How . . . What . . . Where . . .* Office of Information, War Assets Administration, Washington 25, D. C. 29 pages. A handy guide for prospective purchasers of surplus property of all kinds.

BEST'S SAFETY DIRECTORY OF SAFETY, FIRST-AID, HYGIENE AND FIRE PROTECTIVE PRODUCTS: 1946. Alfred M. Best Company, Inc., 75 Fulton St., New York 7, N. Y. 351 pages. \$5.00. The first annual edition of a directory containing comprehensive and authentic information on many hundreds of recognized safety and protective products and devices.

ECONOMICS

ECONOMICS IN ONE LESSON. By Henry Hazlitt. Harper & Brothers, New York, 1946. 222 pages. \$2.00. A conservative economist analyzes what he considers the economic fallacies of the day. The book's central thesis is that sound economic thinking takes account of the long run no less than the short run, the over-all public interests as against special interests, and the secondary consequences as well as the primary consequences of economic policies and programs. The application of this concept to programs of public works, taxes on production, make-work schemes, subsidies to special groups and commodities, and wage legislation is explained to the layman.

MEASURING BUSINESS CYCLES. By Arthur F. Burns and Wesley C. Mitchell. National Bureau of Economic Research, New York, 1946. 560 pages. \$5.00. The authors of this monumental study attempt to present here a way of dealing realistically with the recurring alternations of good times and depressions. Giving a chronology of business cycles in several countries, the book shows how the widely different fluctuations found in various parts of the economy can be measured and compared. It offers tests of these methods and of others currently used, points out the limitations of the novel procedures, illustrates abundantly the varieties of cyclical behavior, and analyzes some changes that have occurred since the Civil War in booms and depressions.

PUBLICATIONS RECEIVED

[Please order directly from publishers]

- CHANGES IN INCOME DISTRIBUTION DURING THE GREAT DEPRESSION. By Horst Mendershausen. *Volume 7*. Conference on Research in Income and Wealth, National Bureau of Economic Research, New York, 1946. 173 pages. \$2.50.
- TWO WORLDS: *A Realistic Approach to the Problem of Keeping the Peace*. By William B. Ziff. Harper & Bros., New York, 1946. 335 pages. \$3.00.
- A RETURN TO COST CONTROL. (Papers delivered at the Pennsylvania Regional Cost Conference, April, 1946.) National Association of Cost Accountants, 385 Madison Ave., New York. 38 pages.
- LA TECHNIQUE DU FINANCEMENT DES ENTREPRISES ET SPECIALEMENT DES SOCIETES DE CAPITAUX. By Urbain Vaes. Ecole des Sciences Economiques, Universite de Louvain, 2, Rue des Doyens, Louvain, Belgium, 1946. 527 pages.
- HINTS FOR THE CONDUCT OF THE PERSONAL INTERVIEW. By Eliot D. Hutchinson. Employment and Training Section, Sylvania Electric Products, Inc., 2928 41st Ave., Long Island City 1, N. Y., 1945. 14 pages. Gratis (quantities limited).
- TRAINING FOR INDUSTRIAL EMPLOYMENT. Institute of Personnel Management, London, E.C. 2, England. 65 pages. 2s. 6d.
- THE REGULATION OF THE SECURITY MARKETS. By Willard E. Atkins, *et al.* The Brookings Institution, Washington 6, D. C., 1946. 126 pages. \$2.00.
- MANAGEMENT OF THE FEDERAL DEBT. By Charles C. Abbott. McGraw-Hill Book Co., Inc., New York, 1946. 194 pages. \$2.50.
- RETAIL TRADE AREAS IN ILLINOIS. By P. D. Converse. *Business Studies No. 4*, Bureau of Economic and Business Research, College of Commerce and Business Administration, University of Illinois, Urbana, 1946. 31 pages.
- THE "DYNAMIC BUDGET" CUTS DISTRIBUTION WASTES: *The Break-Even Chart Applied to Marketing*. By A. W. Morrison. McClure, Hadden & Ortman, Inc., 75 East Wacker Drive, Chicago 1, 1946. 20 pages.
- HOW TO ARBITRATE A LABOR DISPUTE. By Theodore W. Kheel. Prentice-Hall, Inc., New York, 1946. 20 pages. \$1.00.
- COST ACCOUNTING: *Principles and Practice*. By James L. Dohr and Howell A. Inghram. The Ronald Press Company, New York, 1946. *Third edition*. 752 pages. \$5.00.
- HOW TO ESTABLISH AND OPERATE A RETAIL STORE. By O. Preston Robinson and Kenneth B. Haas. Prentice-Hall, Inc., New York, 1946. 379 pages. \$4.35.
- PACKAGING CLINIC: *Industrial Packaging Exposition, April 24-26, 1946*. Industrial Packaging Engineers Association of America, 134 South La Salle Street, Chicago 3, 1946. 90 pages.
- BUSINESS ORGANIZATION AND COMBINATION. By Richard Norman Owens. Prentice-Hall, Inc., New York, 1946. *Third edition*. 567 pages. \$6.00.
- ORGANIZED LABOR AND PRODUCTION: *Next Steps in Industrial Democracy*. By Morris L. Cooke and Phillip Murray. Harper & Brothers, New York, 1946. *Revised edition*. 277 pages. \$2.50.
- WHERE TO FIND VOCATIONAL TRAINING IN NEW YORK CITY: *A Directory*. Vocational Advisory Service, 95 Madison Avenue, New York 16, 1946. 107 pages. \$2.00.
- HOW LONG DO RETAIL AND WHOLESALE ESTABLISHMENTS TEND TO SURVIVE? *Economic (Small Business) Series No. 54*, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, 1946. Available from Superintendent of Documents, Washington 25, D. C. 61 pages. Gratis.
- REPORT OF CONFERENCE ON WORKS MAGAZINES. Industrial Welfare Society, 14, Hobart Place, Westminster, London, S.W.1., 1946. 32 pages. 2s.
- EMPLOYMENT, REHABILITATION, AND VETERAN ADJUSTMENT: *A Bibliography, 1940-45*. Compiled by Paul S. Burnham. Publication No. 97, Public Administration Service, 1313 East 60th St., Chicago 37, 1946. 27 pages. \$1.00.

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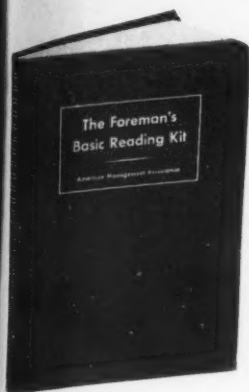
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